

Tax Avoidance: Overview of Companies in Indonesia

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Abstract

This study aims to examine and analyzed the effect of leverage and capital intensity on tax avoidance with independent commissioner and institutional ownership as moderating variables. The population in this study is the manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2016-2020. The techniques of determining the sample used was purposive sampling and obtained 75 samples. The analysis used is Panel Data Moderate Regression Analysis (MRA) using software eviews 9. The result of the analysis showed that leverage and capital intensity have no effect on tax avoidance. Independent commissioner does not moderate the effect of leverage on tax avoidance. Independent commissioner could enervate the moderate effect of capital intensity on tax avoidance. Institutional ownership is unable to moderated the effect of leverage and capital intensity on tax avoidance

Keywords : capital intensity; institutional ownership; independent commissioner; leverage; tax avoidance

JEL Classification : D13, I31, J22*

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1. INTRODUCTION

Taxes are used as a tool for the implementation of national development and general government expenditures for the prosperity and welfare of the Indonesian people. Based on the Publication of the Directorate General of Taxes' Performance Report, data on targets and achievements of tax revenues for the 2016-2020 period, are shown in table 1.1 below.

Table 1. 2016-2020 Tax Revenue Achievement

Period	(Trillion Rupiah)				
	2016	2017	2018	2019	2020
Tax Target	1.355,20	1.283,57	1.424,00	1.577,56	1.198,82
Realization Tax	1.105,81	1.151,03	1.315,51	1.332,06	1.069,98
Percentage of Tax Revenue	81,60%	89,67%	92,23%	84,44%	89,25%

Source: Revenue Performance Report, Directorate General of Taxes 2016-2020

Table 1 describes the achievement of tax revenue in Indonesia that has not reached the target desired by the Minister of Finance which can be seen through the percentage of tax revenue. One of the reasons for not meeting the target or tax plan is tax avoidance. Tax avoidance is a way to reduce the tax burden without breaking the law, but it is not recommended by the government (Hidayat, 2022). Sinaga & Suardikha (2019), stated that the government wants high tax payments, while low taxes are desired by companies because it can lead to reduced company profits. Tax avoidance or tax avoidance can be done by utilizing transactions that are not included in the tax object (Handayani & Ibrani, 2019).

The independent variable related to tax avoidance is leverage or the level of debt. One of the companies that take tax avoidance actions can be indicated by the level of the leverage ratio (Sinaga & Suardikha, 2019). Leverage can affect the company's interest expense and profit before tax. Leverage is financing for the company's operational costs which will be compared with the size of the debt used for the financing (Praditasari & Setiawan, 2017). Research related to leverage conducted by Sinaga & Suardikha (2019), and Antari & Setiawan (2020), proved that leverage does have a positive effect tax avoidance. Susanti (2018), states that leverage has no effect on tax avoidance which is in line with research (Arianandini & Ramantha, 2018). In contrast to Prasatya et al., (2020), which states that leverage has an effect on tax avoidance.

Another independent variable related to tax avoidance is capital intensity or capital intensity ratio. Apsari & Supadmi (2018), explain that the amount of investment used in the company's fixed assets is called capital intensity. In the company's financial statements, almost all assets will experience depreciation and will be charged to depreciation expense. Previous research conducted by Sinaga & Suardikha (2019), found that capital intensity has a negative effect on tax avoidance. Susanti (2018) states that capital intensity has no effect on tax avoidance. In addition Dwiyantri & Jati, (2019) revealed that capital intensity has a positive effect on tax avoidance.

The independent commissioner will be used as a moderating variable. The high numbers of independent commissioners' proportion in a company is certain to be adequate for monitoring the company management (Sinaga & Suardikha, 2019). Management's opportunistic behavior can be detrimental to the company because managers tend to be selfish. Research from Sinaga & Suardikha (2019) reveals that the influence of leverage and capital intensity on tax avoidance cannot be moderated by independent commissioners. Independent commissioners in the company can't influence the decisions taken by management.

Another moderating variable that will be used is institutional ownership because institutional ownership is a proxy for good corporate governance (Rodhiyan et al., 2022). The Institutional ownership is a share ownership that owned by the government or other agencies such as banks, insurance companies, limited liability companies, or pension managers and others institution (Yuni & Setiawan, 2019). The size of the percentage of institutional ownership is considered to be able to influence the decision making by management in a company. Research by Prasatya et al., (2020) said that institutional ownership will enervate the relationship between leverage and tax avoidance. In addition, Yuni & Setiawan (2019) stated that institutional ownership does have a negative effect towards tax avoidance. This is contrary to the results of Arianandini & Ramantha (2018) which explain that institutional ownership doesn't have an effect on tax avoidance.

In previous studies, there were still inconsistencies in the results of factors that led to tax avoidance. Therefore the problem of tax avoidance still deserves to be reexamined. The

novelty in this research uses leverage and capital intensity as exogenous variables. Elements of corporate governance consisting of independent commissioner variables and institutional ownership are used as moderators. The selection of independent commissioner variables and institutional ownership is suspected to be a variable that can affect a direct relationship between the leverage and capital intensity variables on tax avoidance.

2. HYPOTHESES DEVELOPMENT

Agency Theory. Agency Theory is related to the owner or shareholder (principal) with the company manager (agent). Jensen & Meckling (1976) stated that the theory of agency was collaboration between two parties based on the contract, a shareholder called the authority to the company management as a party authorized, to make decisions related to the company's operations. The agent has more information related to the company than the Principal so it can cause agency problems (Handayani & Ibrani, 2019).

The Effect of Leverage on Tax Avoidance

Leverage is a financial ratio that reflects the relationship between debt and capital assets (Zainuddin & Anfas, 2021). One of the actions taken is to use the leverage ratio that can affect interest expenses. The interest expense will reduce profit before tax and will cause the tax burden that will be paid by the company. The theory of agency explains that shareholders and management will emphasize each other's egos that will make them achieve goals and prosper. Companies use high debt rather than capital or shares for financing their activities so that profits will decrease and payment of taxes tend to be below. While the shareholders will want a high return on their investment so it will cause agency conflicts. This research is already proved by Sinaga & Suardikha, (2019)) which states that leverage has a positive effect on tax avoidance. Following with the other research that in line, based on Ayuningtyas & Sujana, (2018) researches who mentioned that leverage had a positive effect on tax avoidance. In addition (Antari & Setiawan, 2020) also mentioned that leverage had a positive effect on tax avoidance. Widodo & Wulandari (2021), explained that leverage had a significant positive effect towards tax avoidance. Based on theory and previous research, the hypothesis is formulated as follows:

H₁: Leverage has a positive effect on Tax Avoidance

The Effect of Capital Intensity on Tax Avoidance

Capital intensity describes the amount of investment from the company's capital allocated to fixed assets. The company takes into account that the benefits of the asset's life are shorter than the asset's useful life according to taxation, which will cause a positive fiscal correction (Sinaga & Suardikha, 2019). Capital intensity describes how much capital efficiency is in fixed assets and is information for investors (Comanor & Wilson, 1967). Budianti & Curry, (2018) state that this positive fiscal correction is caused by differences in the calculation of the useful life of the company and taxation and the company's permission to depreciate its fixed assets. Agency theory explains that the emergence of agency conflicts caused by the differences in interests between shareholders and also company management can be overcome by the depreciation expense arising from fixed assets. The use of capital intensity will overcome agency conflicts that arise because companies need to finance their operations and shareholders will get a return on their investment through the profits generated. This is proved by the research of Sinaga & Suardikha (2019), which states that capital intensity has a negative effect on tax avoidance. Zainuddin & Anfas, (2021) state that capital intensity has a negative effect on tax avoidance. Capital intensity has a negative and insignificant effect (Apsari & Supadmi, 2018). Based on the theory and previous research, the hypothesis is formulated as follows:

H₂ : Capital Intensity has a negative influence on Tax Avoidance

Leverage Interaction with Independent Commissioners on Tax Avoidance

Leverage is the debt ratio that is used by the company to fulfilled operational and investment costs (Wijayanti & Merkusiwati, 2017). The leverage that used by the company to finance its operational activities can lead to an interest expense which will reduce profit before tax. In addition, the interest expense will reduce the tax that will be paid by the company. An independent commissioner is someone who has the authority to provide direction to managers in formulating strategies and managing the company (Wijayanti & Merkusiwati, 2017). In agency theory mentioned that there are differences in interests between management and shareholders, so that is why the independent commissioners are assigned to be supervisors in the company. Independent commissioners will lead the company's management and brief the strategies to make the company even better. The greater the proportion of independent commissioners, the less dysfunctional behavior will be, thereby reducing tax avoidance. This result is in line with the research of Yuni & Setiawan (2019) which states that independent commissioners have a negative effect towards tax avoidance. The proportion of independent commissioners that has a negative effect on tax avoidance is also mentioned by (Saputri, 2018). The independent commissioners have a negative influence towards independent commissioners (Wijayanti & Merkusiwati, 2017). Based on the theory and previous research, the following hypothesis is formulated as follows:

H₃: Independent commissioners weaken the effect of leverage on tax avoidance

Capital Intensity Interaction with Independent Commissioners on Tax Avoidance

Capital intensity is how much assets are invested in fixed assets (Apsari & Supadmi, 2018). An independent commissioner is a member of the board of commissioners who has no relationship with the company. Independent commissioners are a component of good corporate governance that can reduce agency conflicts (Sinaga & Suardikha, 2019). The agency theory mentioned that there is a different in interests between the agent and also the principal which is believed by the presence of an independent commissioner will further increase supervision and reduce agency conflict. The use of capital intensity can lead to depreciation expense which will reduce profit before tax, and will reduce the company's tax burden. The proportion of independent commissioners is expected to be able to monitor the performance and make management decisions related to taxation caused by capital intensity.

This is in line with Yuni & Setiawan (2019) which mentioned that independent commissioners have a negative effect on tax avoidance actions. The proportion of independent commissioners can carry out supervision and can prevent deviant actions that may occur in the company. Wijayanti & Merkusiwati (2017), mentioned that independent commissioners have a negative effect towards tax avoidance. Based on the theory and previous research, the following hypothesis is formulated as follows:

H₄: Independent commissioners weaken the effect of capital intensity on tax avoidance

Leverage Interaction with Institutional Ownership on Tax Avoidance

Leverage is a ratio used by companies to measure assets funded by debt (Oktaviani et al., 2021). Institutional ownership is shares owned by institutions (Zainuddin & Anfas, 2021). The use of leverage in reducing the company's tax burden often occurs in companies. This is measured using a high or low leverage ratio. A high leverage ratio will have an impact on high-interest expenses as well. High-interest expenses will reduce company profits and will affect the dividends distributed to shareholders. Institutional ownership as

shareholders hopes to receive the maximum return on the shares that have been invested in the company (Prasatya et al., 2020).

Aprianto & Dwimulyani, (2019) stated that companies that use a lot of loans from third parties will increase interest expenses and will reduce profits. Institutional ownership will demand a share of its investment rights so this will lead to agency conflicts. Agency theory explains that shareholders and management will have different interests that cause agency conflicts. Institutional ownership will oversee the performance of management so that management will be more careful when making decisions. This is in line with the research of Aprianto & Dwimulyani (2019)state that institutional ownership is able to enervate the effect of leverage on tax avoidance. Research with similar results was also disclosed by Prasatya et al., (2020) that institutional ownership enervate the effect of leverage towards tax avoidance. Based on the theory and previous research, the following hypothesis is formulated as follows:

H₅: Institutional ownership weakens the effect of leverage on tax avoidance.

Capital Intensity Interaction with Institutional Ownership on Tax Avoidance

Capital intensity is a reflection of how much investment capital is needed to earn income (Oktaviani et al., 2021). Institutional ownership is expected to be able to encourage increased supervision of management performance. A high capital intensity ratio will cause a high depreciation expense so that the tax borne tends to be below. Agency theory states that there will be differences in interests that cause agency conflicts when management will run the company for its own sake without paying attention to the company's shareholders. This can be controlled by institutional ownership because it can increase the supervision of management who behaves opportunistically. Yuni & Setiawan, (2019) stated that large share ownership in a company will reduce tax avoidance.

This is in line with the results Yuni & Setiawan, (2019) which state that institutional ownership has a negative effect towards tax avoidance. Another similar study also mentioned by Praditasari & Setiawan (2017), that institutional ownership has a negative effect on tax avoidance. The results of the research by Khurana & Moser (2013) said that institutional ownership has a negative effect on tax avoidance. Based on the theory and previous research, the following hypotheses can be formulated as follows:

H₆: Institutional ownership weakens the effect of capital intensity on tax avoidance

3. METHOD, DATA, AND ANALYSIS

Population and Sampling

The population in this research is a manufacturing company listed on the Indonesia Stock Exchange (IDX) from 2016 to 2020. The sampling technique in this study used the purposive sampling technique and produced 75 research samples. One of the reason for using manufacturing is because the company's sector is the largest and has the highest level of assets among other sectors, so it is considered to represent the level of tax avoidance in the company. The period used for 2016-2020 is as long as that period can represent the results of other periods.

The sample criteria used are as follows: 1) Manufacturing companies listed on the IDX in 2016-2020, 2) Companies that publish financial statements in a row, 3) Never experience a loss during the study period, 4) Companies that have a CETR value 0 to <1, 5) Companies that do not receive tax refunds during 2016-2020, 6) The companies that submit financial statements in rupiah currency that end on December 31. All the data that used is secondary data that source from the websites from each company and the IDX website.

Tax Avoidance

Tax avoidance is a safe method for taxpayers to use in terms of minimizing the tax burden that companies can do so as not to violate applicable tax laws (Yuni & Setiawan, 2019). The measurements used in measuring tax avoidance vary, and in this study the Cash Effective Tax Rate (CETR) was used according to research (Chen et al., 2010; Sinaga & Suardikha, 2019). The formula used to measuring the company's CETR is as follows:

$$CETR = \frac{\textit{Tax Paid}}{\textit{Net Income Before Tax}}$$

Leverage

Leverage is the company's debt ratio which is used as the company's activity costs. The calculation of the debt to asset ratio refers to research (Sinaga & Suardikha, 2019) The formula used to calculate DAR is as follows:

$$DAR = \frac{\textit{Total Liabilities}}{\textit{Total Assets}}$$

Independent Commissioner

Independent commissioners are members of the board's commissioners who are not affiliated with company management (KNKG, 2006). Independent commissioners are expected to be able to control and supervise the company's management. The proportion of independent commissioners is calculated by dividing the total number of independent commissioners by the total number of members of the board's commissioners (Prasatya et al., 2020; Sinaga & Suardikha, 2019) The calculation of the proportion of independent commissioners with the following formula:

$$KOMIN = \frac{\textit{number of Independent Commissioners}}{\textit{Number of Members of the Board's Commissioners}}$$

Institutional Ownership

Institutional ownership is someone who has oversight of management performance so that it is more leveraged and is considered capable of monitoring decisions made by managers to be more effective and careful (Arianandini & Ramantha, 2018; Khurana & Moser, 2013). The proportion of institutional ownership is calculated by dividing the proportion of shares owned by the institution with the number of shares issued (Yuni & Setiawan, 2019). The formula used is as follows:

$$KEPIN = \frac{\textit{The proportion of shares owned by the institution}}{\textit{Number of shares issued}}$$

Research Model

The model of this research is using tax avoidance as an object that is explained by leverage, capital intensity, and interaction between independent commissioners as the moderating variable and leverage, interaction between independent commissioners as a moderating variable and capital intensity, interactions between institutional ownership as the moderating variable and leverage, and the interaction between institutional ownership as the moderating variable with capital intensity. The model of equation regression moderation data panel in this research is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_1 M_1 + \beta_4 X_2 M_1 + \beta_5 X_1 M_2 + \beta_6 X_2 M_2 + \varepsilon \dots$$

Description :

Y : *Tax Avoidance*

α : Constant

β_1 - β_6 : Regression coefficient of independent and moderating interaction

X_1 : Leverage

X_2 : Capital Intensity

$X_1 M_1$: Interaction between leverage and independent commissioners

$X_2 M_1$: Interaction between capital intensity and independent commissioner

$X_1 M_2$: Interaction between leverage and institutional ownership

$X_2 M_2$: Interaction between capital intensity and institutional ownership

ε : *Error Term*

Data analysis technique

This research uses Panel Data Moderate Regression Analysis (MRA) technique using three approaches, namely Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM).

Chow Test

Chow test is a test used to determine the best model for estimating panel data to be used in the research test by testing the Common Effect Model (CEM) and the Fixed Effect Model (FEM). If the test states that the null hypothesis is accepted or if the probability value is less than 0.05 then the model to be used is the Common Effect Model (CEM). If the test states that the null hypothesis is rejected or the probability value is greater than 0.05, the model to be used in the study is the Fixed Effect Model (FEM) and will proceed to the Hausman test.

Hausman Test

The Hausman test is a test used to determine whether the Fixed Effect Model or the Random Effect Model is the most appropriate to use in estimating the panel data. The results of the Hausman test which states that the null hypothesis is accepted or the probability is greater than 0.05, the model used is the Random Effect Model. If the results of the Hausman test state that the null hypothesis is rejected or the probability is less than 0.05 then the correct model to use is the Fixed Effect Model.

4. RESULTS

Descriptive Statistics Test

Based on the descriptive statistical test, it can be seen in Table 2 below.

Table 2. Descriptive Statistics

	CETR	DAR	CAPIN	KOMIN	KEPINS
Mean	0.267733	0.360133	0.419600	0.460000	0.596667
Median	0.250000	0.350000	0.450000	0.500000	0.580000
Maximum	0.890000	0.820000	0.720000	0.800000	0.920000
Minimum	0.030000	0.120000	0.030000	0.290000	0.060000
Std. Dev.	0.125424	0.155576	0.130772	0.117623	0.247885
Skewness	1.801329	0.855658	-0.202956	0.894657	-0.812878
Kurtosis	9.597835	3.766130	3.362362	4.612447	2.734342

Jarque-Bera	176.5956	10.98611	0.925219	18.13010	8.480178
Probability	0.000000	0.004115	0.629639	0.000116	0.014406
Sum	20.08000	27.01000	31.47000	34.50000	44.75000
Sum Sq. Dev.	1.164115	1.791099	1.265488	1.023800	4.547067
Observations	75	75	75	75	75

Tax Avoidance. The value of tax avoidance as measured by CETR in the object of research varies greatly with a maximum CETR value of 0.89 percent at PT Chitose International Tbk in 2020. In 2016 PT Chaeroen Pokphand Indonesia Tbk received the minimum value of CETR that shows 0.03 percent. Mean or the average tax avoidance variable shows a number of 0.267733 which illustrates that the average value of tax avoidance in the company used as the sample is only 26.77 percent. The standard deviation shows the number 0.125424, which means the difference in the value of the variables that occur in tax avoidance in this research towards the average value of 12.54 percent.

Leverage. The value of leverage that proxy by DAR in the object of this research shows a maximum value of 0.820000 or 0.82 percent in 2020 at PT Ultra Jaya Milk Industry and in 2019 following in 2020 as well at PT Ekadharma International Tbk. In 2016 PT Ultra Jaya Milk Industry received the minimum value, 0.120000 or 0.12 percent. The average or mean in this sample test is 0.360133 which shows that the average leverage value of the company used as the sample is 36.01 percent. The standard deviation value in this study is 0.155576, which reflects that there is a difference in the value of the leverage variable in the study to an average of 15.55 percent.

Capital Intensity. The value of capital intensity in the object of this study shows a maximum value of 0.720000 or 0.72 percent at PT Semen Indonesia (Persero) Tbk in 2020. The minimum value is 0.030000 or 0.03 percent which is at PT Selamat Sempurnak Tbk in 2016. The average result value in this test is 0.419600 that illustrates the average value of the capital intensity represented by the sample is 41.96 percent. The standard deviation value appears the number of 0.130772 which means that there is a different in the value of the capital intensity variable in this research shows 13.07 percent.

Independent Commissioner. The value of the independent commissioner in this study resulted in a maximum value of 0.080000 or 0.80 percent located at PT Unilever Indonesia Tbk from 2016 to 2020. While the minimum value was 0.290000 or 0.29 percent located at PT Semen Indonesia (Persero) Tbk from 2016 to 2020 The average generated in this research is 0.460000, which means the average value of independent commissioners represented by the sample that is 46 percent. Meanwhile, the standard deviation shows the number of 0.117623 which explains the different in the value of the independent commissioner variable towards tax avoidance of 11.76 percent.

Institutional Ownership. The value of institutional ownership in this test shows that the maximum value shows the figure of 0.920000 or 0.92 percent which lies with PT Akasha Wira International Tbk from 2016 to 2020. While the minimum value is 0.060000 or 0.06 percent which lies with PT Charoen Pokphand Indonesia Tbk from 2016 to 2020. 2020. The result of mean value is 0.596667, which means that the average value of institutional ownership represented by the sample of companies is 59.55 percent. Meanwhile, the standard deviation value shows the number 0.247885, which means that there is a different in the value of institutional ownership variable towards tax avoidance of 24.78 percent.

Panel Data Moderation Regression Analysis

Table 3. FEM Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.153237	0.124925	1.226631	0.2253
DAR	-0.261704	0.495236	-0.528443	0.5994
CAPIN	0.998040	0.693778	1.438558	0.1560
DAR*KOM.IND	1.320067	1.399804	0.943037	0.3499
CAPIN*KOM.IND	-2.753861	1.265033	-2.176909	0.0339
DAR*KEP.INS	-0.555828	0.801402	-0.693570	0.4909
CAPIN*KEP.INS	0.868651	0.931021	0.933008	0.3550

Source: Eviews 9 Data Processing

Based on Table 3., the panel data moderation regression equation model can be arranged as follows:

$$CETR = 0.153237 - 0.261704 \text{ DAR} + 0.998040 \text{ CAPIN} + 1.320067 \text{ DAR} \cdot \text{KOM.IND} - 2.753861 \text{ CAPIN} \cdot \text{KOM.IND} - 0.555828 + 0.868651 \text{ CAPIN} \cdot \text{KEP.INS} + \varepsilon$$

The Hypothesis Testing result will be explained as follows:

The variable of leverage has a significance value of -0.261704 which is negative with a probability level of 0.5994 which is considered greater than 5% or (Sig > 0.05). The first which has been proposed above which mentioned that leverage has a positive effect towards tax avoidance is **rejected**.

The variable of capital intensity has a significance value of 0.998040 which is positive with probability level of 0.1560 that is considered greater than 5% or (Sig > 0.05). The second hypothesis which has been proposed above and states that capital intensity has a negative effect towards tax avoidance is **rejected**.

The leverage and independent commissioners' interaction has a significance value of 1.320067 which is positive with a probability level of 0.3499 and is considered greater than 5% or (Sig > 0.05). The third hypothesis which has been proposed above which mentioned that independent commissioners can enervate the effect of leverage towards tax avoidance is **rejected**.

The interaction between capital intensity and independent commissioners has a significance value of -2.753861 which is negative with a probability level of 0.0339 and is considered less than 5% or (Sig < 0.05). The fourth hypothesis which has been proposed above mentioned that independent commissioners can enervate the effect of capital intensity towards tax avoidance is **accepted**.

The leverage and institutional ownership interaction has a significance value of -0.555828 which is negative with a probability level of 0.4909 and is considered greater than 5% or (Sig > 0.05). The fifth hypothesis which has been proposed above and states that institutional ownership can enervate the effect of leverage towards tax avoidance is **rejected**.

The interaction between capital intensity and institutional ownership has a significance value of 0.868651 which is positive with a probability level of 0.3550 and is considered greater than 5% or (Sig > 0.05). The sixth hypothesis which has been proposed

above and mentioned that institutional ownership can enervate the effect of capital intensity towards tax avoidance is **rejected**.

Coefficient of determination (R²). The Adjusted R-squared value is 0.281221 which shows that tax avoidance can be explained by the variables of leverage, capital intensity, the interaction between leverage and independent commissioners, the interaction between capital intensity and independent commissioner, the interaction of leverage with institutional ownership and capital intensity with ownership. institutional value is 28.12%, and the remaining 71.88% is explained by factors that are not included in this research model.

F-Statistic Value. The probability value of the F-Statistic is 0.004751 which is smaller than 0.05 ($F < \alpha$), it can be concluded that the independent variables of leverage and capital intensity as well as the moderating variables of independent commissioners and institutional ownership can explain the phenomenon of tax avoidance in manufacturing companies listed on the Stock Exchange in 2016 -2020.

5. DISCUSSION

The Effect of Leverage on Tax Avoidance

Based on the results of the first hypothesis test, shows that leverage has no influence towards tax avoidance. Leverage is level of debt that used by the company to finance their operations. By using this debt will cause interest expense for the company which will reduce the company's profit so as to reduce the tax burden. From these results, the interest expense obtained from leverage does not affect the existence of tax avoidance. The higher or lower level of debt used by the company in financing its operations will not affect tax avoidance. The high level of debt used by the company will pose a high risk, so the company will be more careful in making decisions, including in terms of tax avoidance (Arianandini & Ramantha, 2018). Interest expense incurred in the company will not always be used as a deduction from pre-tax profit. This research is in line with research by Susanti, (2018) and Rifai & Atiningsih (2019) which states that leverage has no effect on tax avoidance. In addition, Arianandini & Ramantha, (2018) and Masrurroch et al., (2021) mentioned that leverage has no effect towards tax avoidance. Leverage has no effect on tax avoidance is also stated by (Susandy & Anggraeni, 2018). A similar study was found by Zainuddin & Anfas, (2021) who explained that leverage has no effect on tax avoidance, and the results of this research are also the same as the results of the Oktaviani et al., 2021) research that leverage has no effect towards tax avoidance.

The Effect of Capital Intensity on Tax Avoidance

Based on the results of the second hypothesis test, shows that capital intensity has no effect on tax avoidance. Capital intensity is the amount of investment invested in the fixed assets of a company. The use of this capital intensity can lead to depreciation expense which will reduce profit before tax, which automatically reduces the company's tax burden. However, in this test, capital intensity has no effect, which means that the higher or lower the ratio of capital intensity, it will not have an impact on tax avoidance actions that occur in the company. Companies in Indonesia on average have fixed assets that have passed the time limit set by law (Furi, 2018). The use of fixed assets that have passed the time limit cannot be depreciated, so they will not be deducted from profit before tax and automatically cannot be used as a deduction from the tax burden. The capital intensity in the company tends to be used for operational financing which will boost profit before tax, so it is not used for tax avoidance measures by maximizing the depreciation expense of fixed assets.

This research is in line with Apsari & Supadmi, (2018) and Susanti, (2018) who state that capital intensity has no effect on tax avoidance. Research on capital intensity has no effect on tax avoidance which was also found by (Oktaviani et al., 2021; Zoebar & Miftah, 2020). In addition Masrurroch et al., (2021) and Furi, (2018) state that capital intensity has no effect on tax avoidance.

Leverage Interaction with Independent Commissioners on Tax Avoidance

Based on the results of the third hypothesis test, independent commissioners cannot moderate the effect of leverage on tax avoidance. The higher or lower proportion of independent commissioners cannot moderate the effect of leverage on tax avoidance. The regulations have been established in accordance with the Financial Services Regulation of the Republic of Indonesia Number 33/PJOK.04/2014 states that the number of independent commissioners is at least 30% of the total number of members of a company's board of commissioners. The proportion of independent commissioners in a company is considered unable to carry out monitoring of management performance optimally. So, the company can still take advantage of the use of this level of debt or leverage to avoid tax. The existence of an independent commissioner in a company only because follows the rules that have been set.

This study is in line with the results of Sinaga & Suardikha, (2019) which state that independent commissioners do not moderate the effect of leverage on tax avoidance. In addition, Ayuningtyas & Sujana, (2018) and Triyanti et al., (2020) revealed that independent commissioners have no effect on tax avoidance. This study is also supported by the results of Prasatya et al., (2020) which mentioned that independent commissioners have no effect towards tax avoidance. Independent commissioners have no effect on tax avoidance as also revealed by (Susandy & Anggraeni, 2018).

Capital Intensity Interaction with Independent Commissioners on Tax Avoidance

Based on the results of the fourth hypothesis test, shows that the independent commissioner weakens the effect of capital intensity on tax avoidance. The higher proportion of independent commissioners will be following by the lower level of corporate tax avoidance. Independent commissioners will be stricter in providing oversight to decision-making regarding the capital intensity ratio of companies that have a high risk when used as an effort to avoid tax. A large proportion of independent commissioners are able to minimize opportunistic management actions, especially tax avoidance.

This research is in line with Yuni & Setiawan, (2019) and Saputri, (2018) who state that independent commissioners have a negative effect on tax avoidance. In addition, the results of research from Wijayanti & Merkusiwati, (2017) also mentioned that independent commissioners does have a negative effect towards tax avoidance. Independent commissioners have a negative effect towards tax avoidance (Arianandini & Ramantha, 2018).

Leverage Interaction with Institutional Ownership on Tax Avoidance

Based on the fifth hypothesis test result, shows that institutional ownership cannot moderate the influence of leverage towards tax avoidance. The higher or lower institutional ownership cannot affect the use of leverage ratios or the use of debt for tax avoidance efforts carried out by the company. This institutional ownership is one of the components of corporate governance that is responsible for supervising and controlling the performance of the company's management. Institutional owners will ensure that the company's management when making decisions must think about the welfare of its shareholders (Arianandini & Ramantha, 2018). The large institutional ownership structure is considered unable to supervise and control management regarding tax avoidance efforts made

through the leverage ratio. Institutional ownership does not carry out its authority properly so that management can still take tax avoidance actions.

The results of this study are in line with Arianandini & Ramantha, (2018) who explain that institutional ownership has no effect on tax avoidance. In addition, the results of institutional ownership have no effect on tax avoidance as mentioned by Zainuddin & Anfas, (2021). Research Masrurroch et al., (2021) also mentions that institutional ownership has no effect on tax avoidance.

Capital Intensity Interaction with Institutional Ownership on Tax Avoidance

Based on the sixth hypothesis test result shows institutional ownership cannot moderate the effect of capital intensity on tax avoidance. The size of the amount of institutional ownership does not affect the actions of companies that use capital intensity as an effort to tax avoidance. Institutional ownership tends to be more prosperous for those who have invested in the company. They have entrusted all decisions to the management of the company so that the manager's opportunistic behavior cannot be identified. Institutional ownership will tend to want high returns, so they support management decisions in making decisions that are profitable for them. The use of fixed assets as a tax avoidance tool creates an interest expense so that it can reduce the tax burden and the profit earned by the company will be high. High profits will make the return on investment of institutional shareholders higher. This study is in line with the results of Masrurroch et al., (2021) which state that institutional ownership have no influence towards tax avoidance. Institutional ownership has no influence towards tax avoidance that also explained by (Adhivinna, 2017).

6. CONCLUSION, LIMITATIONS, AND SUGGESTIONS

In this section, the author presents brief conclusions from the results of the research with suggestions for Based on the results of the study, it can be concluded that leverage has no effect on tax avoidance. This implies that the use of leverage by the company has no impact on tax avoidance. Capital intensity has no effect on tax avoidance. This implies that the use of capital intensity by the company does not have an impact on tax avoidance. Independent commissioners are unable to moderate the effect of leverage on tax avoidance. This also implies that the independent commissioner is not doing his job properly so tax avoidance efforts by utilizing the debt ratio or leverage have an impact on tax avoidance. Independent commissioners are able to weaken the effect of capital intensity on tax avoidance. This implies that the independent commissioner is not able to oversee the opportunistic actions of management using fixed assets and have an impact on tax avoidance. Institutional ownership is not able to moderate the effect of leverage on tax avoidance.

The implication, in this case, is that institutional ownership is expected to be able to carry out monitoring of companies, especially on leverage ratios and taxation so as not to have an impact on tax avoidance. Institutional ownership is not able to moderate the effect of capital intensity on tax avoidance. The implication of this is that institutional ownership must carry out its duties and authorities so that management does not act opportunistically for personal interests by utilizing capital intensity which has an impact on tax avoidance.

A few suggestions that researchers can give for future researchers are to add other independent variables that considered having an effect on tax avoidance. Further researchers are advised to expand the sample and use different industrial sectors in companies listed on the Indonesia Stock Exchange.

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