

TAX AVOIDANCE PRACTICES ON THE INDONESIAN STOCK EXCHANGE

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Dimensions

Altmetrics

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Abstract

This research provides an overview of tax avoidance practices in public companies on the Indonesia Stock Exchange. The factors studied included CSR disclosure quality, management compensation, capital intensity and financial distress. A total of 198 firm years from the 2018 to 2020 financial statements. The results show that CSR disclosure quality, management compensation, capital intensity, and company size (control variable) have a positive effect on tax avoidance. However, financial distress has no effect on tax avoidance

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TAX AVOIDANCE PRACTICES ON THE INDONESIAN STOCK EXCHANGE

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Abstrak

Riset ini memberikan gambaran tentang praktik penghindaran pajak pada perusahaan terbuka di Bursa Efek Indonesia. Faktor yang diteliti meliputi kualitas pengungkapan CSR, kompensasi manajemen, intensitas modal, dan financial distress. Sebanyak 198 observasi berasal dari laporan keuangan 2018 hingga 2020 menjadi sampel penelitian ini. Hasil penelitian menunjukkan bahwa variabel kualitas pengungkapan CSR, kompensasi manajemen, intensitas modal, dan ukuran perusahaan (variabel kontrol) berpengaruh positif terhadap penghindaran pajak. Namun, Financial distress tidak berpengaruh terhadap penghindaran pajak.

Kata Kunci: Tax Avoidance; Corporate Social Responsibility; Kompensasi Manajemen; Intensitas Modal; Financial Distress; Ukuran Perusahaan.

Abstract

This research provides an overview of tax avoidance practices in public companies on the Indonesia Stock Exchange. The factors studied included CSR disclosure quality, management compensation, capital intensity and financial distress. A total of 198 observations (66 firm a 3 years, 2018 to 2020 financial report) were samples for this study. The results show that CSR disclosure quality, management compensation, capital intensity, and company size (control variable) have a positive effect on tax avoidance. However, financial distress has no effect on tax avoidance..

Keywords : CRS; Management Compensation; Capital Intensity; Financial Distress; Tax Avoidance; IDX.

JEL Classification : H260, L6, M12, M14, M41, G30

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INTRODUCTION

Taxes are a form of contribution for taxpayers to the state owed by individuals or entities that are coercive by law, by not getting compensation directly and used for the needs of the state for the greatest prosperity of the people (UU KUP Pasal 1 ayat 1). Taxes have a strong share in the revenue or income of the Indonesian state. The government as the state administrator is always trying to increase state revenues through the tax sector. The government's efforts can be seen from the strengthening of several regulations related to taxation. The main objective of these efforts is to maximize the revenue obtained by the state from the tax sector. The state wants optimal tax revenue so that state revenues increase. This is contradictory because of the company's desire to have the minimum tax payable in order to increase profits. The management conducts various forms of experiments so that the company makes a profit. The experimental form for tax debt that is commonly used by many companies is tax avoidance. According to Dakhli (2021) there are legal actions while still paying close attention to the applicable tax regulations in an effort to minimize the company's tax payable, namely by carrying out tax avoidance activities.

Tax avoidance activities by companies are still common today. According to Nurhaliza (2020), three giant US technology companies such as Microsoft, Facebook and Google practice tax avoidance. This action is often carried out in both developed and developing countries, one of which is Indonesia. Action Aid International conducted research showing that these giant companies use the limitations of the global tax system to avoid taxes. Its value touches up to USD 2.8 billion or equal to Rp41 trillion per year. Giant companies are taking advantage during the pandemic, but contributing little or nothing to public services in several countries. The highest levels of tax gaps in the world are owned by Brazil, Nigeria, India, Bangladesh and Indonesia where the three large companies operate (<https://www.idxchannel.com> accessed 16 Oktober 2021).

Based on the phenomenon previously explained, tax avoidance measures are taken so that the three companies can maximize profits. This giant company has actually made an adequate profit at a time when other companies were actually going bankrupt and the economic conditions in almost all countries were experiencing a downturn due to the Covid-19 pandemic. Of course, this is in the spotlight and threatens the reputation of the three companies because they only think about high profits but do not think about corporate social responsibility. The three giant companies should be able to help the income of the countries where they operate by paying off the tax payable consistently following the provisions in each country. The previous description proves that tax avoidance actions are carried out by several companies consciously. This phenomenon proves that the practice of tax avoidance is still ongoing in various countries. The problems that arise due to the practice of tax avoidance are the disruption of state revenue receipts.

Tax avoidance is certainly influenced by various factors, the first of which is CSR (Corporate Social Responsibility). The implementation of CSR activities aims to support companies in overcoming various negative impacts from social, environmental and economic conditions of the company. CSR is a form of corporate responsibility to shareholders (stakeholders) so that the company's operational activities run well. It is different with taxes which are the responsibility of the company as a taxpayer, it must deposit its obligations to the state or government. The government is also one of the company's stakeholders. That way, it means that social responsibility (CSR) influences the practice of tax avoidance.

The second factor is management compensation. There are two conditions that make companies practice tax avoidance. According to Alghifari *et al* (2020) management is able to practice tax avoidance if they receive compensation from the company for their actions. The second condition is explained by Budiadnyani (2020) that tax avoidance behavior provides an

opportunity for management to be opportunistic. However, this attitude is not desired by investors because it is considered dangerous. The difference between the two conditions shows that the provision of compensation to management or managers will have a major influence on company decision making, and affect company performance. This reveals that management compensation has an effect on tax avoidance practices.

The third factor is capital intensity (capital intensity). Capital intensity can also be interpreted as an investment activity by the company which is carried out by investing in fixed assets (Cahyani *et al.*, 2021). Fixed assets also cause the emergence of depreciation expenses, which affect the decrease in profits. Depreciation arises due to the economic life of the fixed assets themselves. This condition certainly has an impact on decreasing profits, thus causing the company's tax burden to fall. Based on this description, it can be proven that the company's capital intensity is high, resulting in higher opportunities for company management to carry out tax avoidance practices.

The next factor is financial distress. Financial distress is a condition that arises due to a decrease in a company's economic activity (Pratiwi *et al.*, 2020). When a company has difficulty dealing with ongoing financial distress, the possibility of the company going bankrupt is very large. Many companies that are entangled in financial distress are trying to find ways to be free from this condition. Companies also tend to reduce actions that have the potential to endanger the company's sustainability, such as tax avoidance.

Based on the research background, this research can formulate several problems, including: 1) Does corporate social responsibility affect tax avoidance? 2) Does management compensation affect tax avoidance? 3) Does capital intensity affect tax avoidance? 4) Does financial distress affect tax avoidance?

LITERATURE REVIEW AND HYPOTHESIS

Agency Theory

The agency theory written by Jensen dan Meckling (1976) describes a contract in which one or more persons (principals) employ another person (agent) to perform various services on their behalf which involve the delegation of some decision-making authority to the agent. The principal mentioned in the previous explanation is the shareholder, and the agent is the company manager. The principal delegates management of resources to agents for corporate decision making. This delegation occurs because the principal considers the agent to know more about the company's internal conditions. Such delegation creates information asymmetry between agents and principals and will lead to disputes. Disputes between the two can lead to agency conflicts (agency problems). Agency conflicts will affect company performance and the quality of financial information. Conflicts that arise between principals and agents will trigger agency costs.

Tax Avoidance

Tax avoidance is a technique or method used by taxpayers to minimize the company's tax burden. Tax avoidance is often an alternative for companies to reduce the tax payable safely and legally. This action is considered valid because it is not contradictory with the applicable tax rules and laws. So this action is often used by companies to reduce the burdens they have in order to maximize profits. According to Budianti & Curry (2018) there are various forms of tax avoidance, such as taking advantage of tax law loopholes and intentional factors. Tax avoidance is considered a legal action because it does not violate and is still in accordance with applicable tax laws or regulations. Even the company considers this action as a profitable action. This is because it can reduce the tax burden that must be paid by the company and increase the profits generated.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is the embodiment of social responsibility that companies carry out for the environment. Various forms of CSR activities can also be carried out, such as increasing community welfare, building public facilities, and protecting the environment around the company, building public facilities (Zoebar & Miftah, 2020).. In Indonesia CSR is still voluntary disclosure. However, it should be noted that CSR is also a form of company contribution in supporting the country's economic development. SR with tax avoidance has an important relationship. It can be seen that CSR activities are a form of corporate responsibility to shareholders. Tax payment is a form of corporate responsibility to the state. Indeed, the effect cannot be felt directly by shareholders, but the tax payments are paid directly to the government.

Managerial Compensation

Compensation is an appreciation from the company in the form of material and non-material intended for the manager. Compensation aims to foster the motivation of managers in achieving company goals. Providing compensation also aims to align the interests of shareholders with the interests of company managers (Budiadnyani, 2020). There are various forms of compensation, including: basic wages (salary), incentive allowances, remuneration, pension programs, canteens, uniforms and so on. Management as a company agent definitely wants a big bonus. The bonuses given are mostly measured by company profits. The desire to get a large bonus makes management look more opportunistic to avoid taxes. Meanwhile, the principal wants guaranteed company sustainability. If the company's sustainability is guaranteed and their investment is safe, then the principal will provide some compensation to the agent.

Capital Intensity

Capital intensity is a form of investment activity of a company to increase the company's profitability. Investments made can be in the form of fixed assets (fixed assets) and inventories. Capital intensity is obtained by comparing the value of fixed assets with the total value of assets owned by the company (Sugiyanto & Fitria, 2019). Companies that decide to invest in fixed assets or capital have strong implications for taxation. The link between fixed assets and taxation can be seen from the depreciation. Depreciation is a deductible expense which can be used as a deduction from pre-tax profits. If depreciation is used as a deduction from profit, the burden of tax payable will be smaller (Alghifari et al., 2020). Based on this explanation, it can be concluded that companies tend to invest in fixed assets with the aim of reducing the tax burden. Utilization of depreciation expense as a tax reduction effort that is deliberately carried out by this company is a form of tax avoidance.

Financial Distress

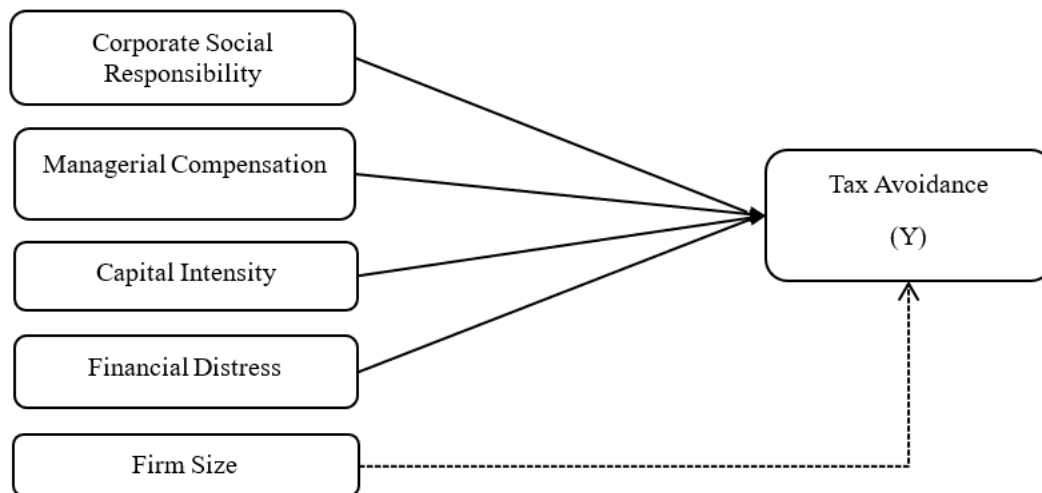
Financial distress which has the meaning of financial difficulties, namely the event of a decline in the company's financial condition which will lead to bankruptcy or liquidation of a company. Financial distress conditions arise when a company has limited funds to continue or run its company's operational activities again (Nadhifah & Arif, 2020). Companies have a tendency to reduce tax avoidance when experiencing financial distress. The reason the company avoids tax avoidance is because the company views this action as having a high enough risk to the survival of the company. Financial distress will trigger company bankruptcy, because the company is unable to pay its obligations. One of the company's obligations is to pay expenses. This condition explains that a

company that is in a state of distress certainly will not be tax-payable, because the company does not earn a profit either.

Company Size

The size of a company is very important for company performance. Company size can be defined as a benchmark for classifying the size of the company (Moeljono, 2020). In contrast to small companies which tend to have difficulties in obtaining capital (Fauziah, 2021). Companies will certainly use various ways to minimize the tax burden that must be paid. Based on this explanation, company size can be an indicator of control in taxation. Tax collectors can see whether or not a company is obedient in paying taxes. In addition, company size can see whether the company has the potential or not to take tax avoidance actions.

Based on the background of the problem and explanation of the concepts of several theories that have been explained, the conceptual framework in this study is formed as follows:



Picture 1. Conceptual Framework

Research Hypothesis

Corporate Social Responsibility and Tax Avoidance

Corporate Social Responsibility is a form of business loyalty to act ethically, uphold the quality of life of the community, prosper employees, and contribute to economic development. CSR activities and taxes certainly have their own costs. This fee must be paid by the company annually. These costs cause a decrease in profits or company revenue. Based on agency theory, the principal gives rights to the agent to manage the company's operational activities and make decisions. Therefore, to increase the company's profit, the agent chooses tax avoidance. This action is carried out by minimizing the tax burden incurred.

Research conducted Rohyati & Suropto (2021) dan Sianturi *et al.*, (2021) explains the results that Corporate Social Responsibility has a positive influence on tax avoidance. This proves that the more often a company carries out CSR activities, the more often the company carries out tax avoidance. Based on the previous description, a hypothesis is formed in this study:

H₁: Corporate Social Responsibility has a positive effect on Tax Avoidance

Managerial Compensation and Tax Avoidance

This management compensation is used by several companies to attract and protect qualified human resources. This compensation aims to make managers more active and motivated to return to work. So that the work results are optimal and of high quality. Agency theory (agency theory) indicates that there is a relationship between management compensation and tax avoidance actions. This indication is reflected in the provision of allowances to company management. Compensation that is high enough will encourage managers to be more active in order to improve company performance.

Research (Alghifari *et al.*, 2020) presents results that explain management compensation has a positive effect on tax avoidance. This shows that if there is an increase in management compensation, there will also be an increase in tax avoidance. Based on the previous explanation, a second hypothesis was formed in this study, namely:

H₂: Managerial Compensation has a positive effect on Tax Avoidance.

Capital Intensity and Tax Avoidance

Capital intensity is a reflection of the amount of capital needed by the company in an effort to generate profit or income. According to Cahyani *et al* (2021) the company's source of funds or capital is obtained through the increase or decrease in the company's fixed assets. In agency theory, it describes the disparity of interests between management (agents) and shareholders (principals). The agent's interest in a company is to receive compensation. In order to get compensation, the agent will try to increase the company's performance. This of course will motivate agents to increase company profits through tax avoidance actions. Efforts to reduce the tax burden can be carried out by management by utilizing depreciation originating from fixed assets.

Research (Cahyani *et al.*, 2021) and (Sianturi *et al.*, 2021) show results which state that capital intensity has a positive effect on tax avoidance. These results show that the greater the capital intensity carried out by the company, the greater the possibility for the company to take tax avoidance actions. Based on the previous explanation, a third hypothesis was formed for this study, namely:

H₃: Capital Intensity has a positive effect on Tax Avoidance

Financial Distress and Tax Avoidance

Financial distress is a situation when a company experiences difficulties or lacks funds to carry out its operational activities. According to Nadhifah & Arif (2020) companies that are facing financial distress have a tendency not to take tax avoidance because it will damage the company's image. The explanation in agency theory states that each party is considered to act to meet personal needs, especially the agent. The agent will always look for ways so that the company's image is not bad and keeps the company afloat even though it is experiencing financial distress. However, the shareholders or investors are worried that if the company is in distress, the money or capital they have invested in the company will be lost. This concern arose because of the high probability that the company would go bankrupt.

The results of research (Pratiwi *et al.*, 2020) and Nadhifah & Arif (2020) explain that financial distress has a negative effect on tax avoidance. The results mean that the greater the level of financial distress a company has, the less likely the company will take tax avoidance. Based on the explanation above, this study forms the fourth hypothesis:

H₄: Financial Distress has a negative effect on Tax Avoidance.

RESEARCH METHOD

This type of research is quantitative by using hypothesis testing which aims to test whether there is a correlation between two or more variables. This study aims to show the effect of corporate social responsibility, management compensation, capital intensity, and financial distress on tax avoidance. The data in this study uses secondary data types. Data obtained from the official website of the Indonesia Stock Exchange, annual reports of IDX issuers for the 2018-2020 period which have been published on the website www.idx.co.id. This research also combines other sources, namely official websites, books, and institutional academic papers in the form of academic journals that are appropriate to the research. The process of taking data samples in this study used a purposive sampling method.

Tax avoidance is an effort to circumvent the company's tax debt. This effort aims to reduce the burden of tax payable than it should be. Tax avoidance is calculated using the Effective Tax Rate (ETR) formula, namely dividing the total tax expense by profit before tax. The results of this calculation are then multiplied by (-1), like Rohyati and Suropto (2021). ETR is actually a proxy for measuring tax compliance, therefore, the ETR result needs to be multiplied by negative one when used as a proxy for tax avoidance.

Corporate Social Responsibility (CSR) is the embodiment of social responsibility that companies do for the environment (Zoebar & Miftah, 2020). CSR variable measurement refers to the Global Reporting Initiative (GRI) Standards. The CSR disclosure indicators in this study are guided by the GRI Standards indicators, namely a number of 77 specific topics (Narayana & Wirakusuma, 2021). CSRI measurement according to Herlina (2021), can be done by giving a value of 1 for the available disclosure items, and 0 if there are none. The total number of CSR disclosures in one company in one year will be compared with a total of 77 items, in order to obtain a CSR index number. Making a high CSR index number, the better the quality of the disclosure.

Management compensation is the provision of remuneration to groups or individuals for their dedication. Measurement of compensation in this study is proxied by calculating the natural logarithm of the total nominal amount of compensation received by directors for one year (Alghifari et al., 2020). Information about the amount of management compensation received by the directors can be found in the notes disclosure section of the financial statements (Indriyanti & Setiawan, 2019). Intensitas Modal (X_3)

Capital intensity is a form of action that is often carried out by companies in investing their capital. The capital intensity variable is measured by the ratio of total fixed assets to total assets (Cahyani et al., 2021). This capital intensity ratio explains the effectiveness of asset utilization to generate income.

Financial distress is when a company's financial position is experiencing a period of financial difficulties or liquidity is an early sign of bankruptcy (Nuryeni & Hidayati, 2021). According to (Swandewi & Noviani, 2020) measurements of financial distress can be proxied by the Altman Z-Score. This formula explains that the potential for bankruptcy of a company will appear in the Z value. This can be seen from the Z value obtained if $Z \geq 2.99$ means the company is in a safe zone. If $1.81 \leq Z < 2.99$ it means that the company can be categorized in the gray zone. Furthermore, the company can be said to be in a state of distress if the value $Z < 1.81$. Altman Z-score formula is:

$$.Z = 1.2A + 1.4B + 3.3C + 0.6D + 1E$$

Note:

A = (Current Asset – Current Liability) / total asset, B = Retain earning / Total asset,
C = Earning before Income Tax / Total asset, D = (Total share x Price per share) / total Liability

$$E = \text{Sales} / \text{Total Asset}$$

Company size can be a benchmark for classifying companies based on their assets. This quantity is calculated using the natural logarithm (Ln) of the company's total assets. The use of total assets is intended to minimize a significant gap between small and too large companies (Fauziah, 2021).

ANALYSIS AND DISCUSSION

This study uses a population of companies listed on the Indonesia Stock Exchange (IDX) with an observation period of 2018-2020. Determination of the sample used is based on purposive sampling method criteria for companies listed on the Indonesia Stock Exchange. Based on the results of the selection and data collection, the number of samples obtained was 66 companies. The period used in this study was 3 years (2018-2020), so that 198 data were obtained to be examined. The data selection process carried out in this study is as follows:

Table 1.
Sampling Criteria

| No | Criteria | Total |
|------------------------------------|--|------------|
| 1. | Listing Company on the Indonesia Stock Exchange for the 2018-2020 period. | 195 |
| 2. | Companies that do not publish complete and consistent annual reports during the 2018-2020 period | (49) |
| 3. | Companies that have lost and made no profits during the 2018-2020 period | (29) |
| 4. | Companies that use currencies other than IDR in presenting their annual financial statements during the 2018-2020 period | (44) |
| 5. | Companies that do not disclose corporate social responsibility activities during the 2018-2020 period | (7) |
| Number of Companies Studied | | 66 |
| Number of year observed | | 3 |
| Total Sampel (firm years) | | 198 |

Based on Tabel 2 below, tax avoidance variable is proxied by the ETR (Effective Tax Rate) which shows a minimum value of 0.021 owned by PT. Sky Energy Indonesia Tbk in 2020. The maximum value of the tax avoidance variable is 1.222 which is owned by PT. Trias Sentosa Tbk in 2019. The minimum value shows that the company has indications of taking greater tax avoidance actions than other companies. The average value of the tax avoidance variable is 0.29314 and the standard deviation is 0.163121. The standard deviation value which is smaller than the average value means that the data is homogeneous. This shows that the level of tax avoidance is quite low.

Table 2.
Statistic Descriptive Variables

| Variabel | n | Min | Max | Mean | St Dev |
|--------------------|----------|------------|------------|-------------|---------------|
| Tax Avoidance | 198 | 0,021 | 1,222 | 0,29314 | 0,163121 |
| CSR | 198 | 0,039 | 0,623 | 0,24679 | 0,114104 |
| Mgt Compensation | 198 | 16,649 | 27,918 | 23,37556 | 1,551769 |
| Capital Intensity | 198 | 0,003 | 0,951 | 0,39183 | 0,186148 |
| Financial Distress | 198 | 0,163 | 10,639 | 2,73226 | 1,471942 |
| Firm Size | 198 | 25,955 | 33,495 | 28,8557 | 1,593983 |

The corporate social responsibility variable is proxied using the corporate social responsibility index (CSRI). The results of CSR measurements are reflected in the analysis of CSR activities in the annual report. Based on the table above, the CSR variable shows a minimum value of 0.039 which is owned by PT. Tempo Scan Pacific Tbk in 2018, which means the company discloses 3.9% of the 77 CSR indicator items in the GRI Standard. The maximum value of 0.623 is owned by PT. Japfa Comfeed Indonesia Tbk in 2020 which shows the company complied with 62.3% of the total 77 disclosure items. The average value of the corporate social responsibility variable is 0.24679 with a standard deviation of 0.114104. The average value of 0.24679 or 24.679% indicates the percentage of sample companies that have disclosed CSR activities from 77 assessment items in the company's annual report.

Management compensation is proxied by the natural logarithm of the value of compensation received by directors during one year. The management compensation variable shows a minimum value of 16.649 which is owned by PT. Sariguna Primatirta Tbk in 2020. The maximum value of 27,918 is owned by PT. Astra International Tbk in 2018. The average value of the management compensation variable is 23.37556 with a standard deviation of 1.551769. The standard deviation value is smaller than the average value indicating that the data is homogeneous. The average value indicates the amount of compensation given to the board of directors of companies listed on the Indonesia Stock Exchange that are included in the research sample.

The capital intensity variable shows a minimum value of 0.003 which is owned by PT. Selamat Sempurna Tbk in 2018. The maximum value of 0.951 is owned by PT. Buana Artha Anugerah Tbk in 2020. The minimum value on the capital intensity variable means that the company invests less in its fixed assets than other companies. The maximum value indicates that the company invests more in fixed assets than other companies. The average value of the capital intensity variable is 0.39183 and the standard deviation is 0.186148. The average value of capital intensity is 0.39183, meaning that 39.183% of companies invest in their fixed assets. The standard deviation value is smaller than the average value indicating that the data is homogeneous and means that capital intensity has a low deviation rate.

The financial distress variable has a minimum value of 0.163 which is owned by PT. Selamat Sempurna Tbk in 2018. The maximum value of 10,639 is owned by PT. Hanjaya Mandala Sampoerna Tbk in 2020. The greater the financial distress value of a company, it indicates that the company's financial condition is less problematic. If the value of a company is above the average value, then the company has a good financial condition and the potential for bankruptcy is smaller. The average value of financial

distress is 2.73226 with a standard deviation of 1.471942. The average value of 2.73226 indicates that the average listing company on the Indonesia Stock Exchange (IDX) is in the gray zone, because the value is $1.81 \leq Z < 2.99$.

The company size variable is proxied by the natural logarithm of total assets, which has a minimum value of 25.955 which is owned by PT. Pyridam Farma Tbk in 2018. The maximum value of 33,495 is owned by PT. Astra International Tbk in 2019. The minimum value seen from the company's total assets shows that the company is smaller than other companies. The maximum value means that the size of the company is bigger than other companies. The average value of all company size variables is 28.85570, while the standard deviation is 1.5933983. The standard deviation value is smaller than the average indicating that the data is homogeneous, meaning that the size of the company has a lower deviation rate.

Table 3.
Hypothesis Test Results

| Variables | Expected sign | β | significant |
|-----------------------------------|----------------------|---------------------------|--------------------|
| Constanta | | 0,594 | 0,004 |
| CSR | + | 0,192 | 0,058* |
| Management Compensation | + | 0,040 | 0,000* |
| Capital Intensity | + | 0,122 | 0,042* |
| Financial Distress | - | 0,019 | 0,012 |
| Firm Size | | 0,024 | 0,018* |
| Adj R | | 0.16 | |
| F Test | | 7.427 | 0.000 |
| Dependent Variable: Tax Avoidance | | | |
| *) sign at 5% | | | |

Sumber: Data Diolah SPSS 25,2022

Discussion

Corporate Social Responsibility and Tax Avoidance

Sourced from research results, the results obtained stated that the corporate social responsibility variable had a positive effect on tax avoidance. This result can be interpreted that the more companies disclose corporate social responsibility activities, the greater the tax avoidance actions taken by these companies.

Corporate Social Responsibility is a form of company commitment not only to the surrounding environment, but also to shareholders. In agency theory, the principal gives full rights to the agent (management) to manage the company's activities. So that the agent has considerable authority in managing the company's activities in order to obtain maximum profit. In order to obtain optimal profits, the management seeks to reduce costs that are borne by the company, such as tax burdens, by using the weaknesses listed in the tax laws.

The results of this study concur with research (Rohyati & Suripto, 2021) and (Setiawati & Adi, 2020) which concluded that the higher a company discloses CSR, the higher the tax avoidance actions that will be carried out. The company's management seeks to keep the CSR

program running and the company's profits remain optimal, so the actions taken by management are by carrying out tax avoidance.

Managerial Compensation and Tax Avoidance

In the study, the results were obtained where the management compensation variable had a positive effect on tax avoidance. This can be interpreted that the higher the compensation received by the company's management, the higher the tax avoidance actions taken.

Management compensation is a form of compensation given to company management. The results of this study are in accordance with agency theory which states that agents (management) have a tendency to act according to their personal interests. The management who received the compensation certainly wants to get back the compensation in the years to come. The management is able to do various ways to get compensation in the following years, one of which is by increasing the company's profits. Management's efforts to increase company profits by reducing the tax burden borne by the company. Management certainly chooses the load that has the lowest risk if it is deducted. The potentially deductible expense is the tax expense. Of course, management will be tempted to reduce the tax burden and take tax avoidance measures.

This study has results that are in line with research conducted by Alghifari et al (2020). The research concludes that giving high compensation can affect tax avoidance. Management assumes that the more compensation they receive, the more corporate will they must obey. This assumption certainly triggers management to carry out tax avoidance actions.

Capital Intensity and Tax Avoidance

This study found that the capital intensity variable has a positive effect on tax avoidance. This means that the more companies invest in fixed assets, the more tax avoidance activities will occur. Capital intensity is a form of investment made by a company to increase the company's profitability. Investments that are often made are investments in fixed assets. The main reason companies like to invest in fixed assets is because they are an important element in supporting company activities. Decrease or increase in fixed assets will result in depreciation costs. Depreciation costs are of course a deduction from the company's income. The amount of the company's depreciation expense will affect the amount of profit that is obtained. If the current year's profit is small, of course it will affect the company's payable tax. So it is very possible for companies to take tax avoidance actions by reason of decreased profits. In line with agency theory which states that between shareholders (principals) and management (agents) there are different interests. The principal wants optimal profit for the survival of the company itself. Meanwhile, the agent tries to generate a lot of profit to get compensation.

The results of this study are in line with Sianturi et al. (2021) and Cahyani et al. (2021) which state that capital intensity has a positive effect on tax avoidance. The results of this study are also in line with research conducted Alghifari et al. (2020) which stated the results that capital intensity affects tax avoidance.

Financial Distress and Tax Avoidance

In this study, it was found that the financial distress variable has no effect on tax avoidance. Financial distress is a situation where a company is faced with a difficult financial situation, so that its operational activities do not run smoothly or are forced to stop. In line with agency theory, it is stated that information asymmetry will arise from both the principal and the agent. This is based on the assumption that each party always acts in its own interest. On behalf of the company, management seeks to improve performance so that the image is always better, even though the company is in financial trouble. Companies in this situation try to take any action so that the company can survive. The pressure of the existing conditions certainly triggered the management to manipulate the company's accounting activities. This manipulation is carried out

by carrying out tax avoidance actions, where an action reduces the company's tax burden so that the company can pay its obligations to other parties.

This research shows results that are in line with research Swandewi & Noviari, (2020). In this study it was explained that financial distress had a significant positive effect on tax avoidance. But these results contradict research (Nadhifah & Arif, 2020), (Pratiwi et al., 2020), and (Cita & Supadmi, 2019) which show results that financial distress has a negative effect on tax avoidance.

Firm Size and Tax Avoidance

This study has one control variable, namely company size. Firm size variable has a positive influence on tax avoidance. This can be interpreted that the larger the size of a company, the higher the amount of tax avoidance that will be carried out by the company.

The size of a company certainly affects the activities of the company. The larger the company, the greater the source of funds obtained to finance its investment activities in the capital market. Acquisition of funds owned by the company will affect the amount of the tax burden borne by the company. The agent certainly tries as much as possible to manage company tax payments so that the costs charged to the company are low. Based on the explanation, it can be concluded that company size will influence management to take tax avoidance actions.

The results of this study are in line with research conducted by (Fauziah, 2021) and (Ayu & Kartika, 2019) which state that company size has a significant positive effect on tax avoidance. It can be explained that the size of a company affects the tax avoidance actions taken. Large companies tend to have a high source of funding, and use it to manage a low tax burden.

CONCLUSION, LIMITATION, AND SUGGESTION

Conclusion

Based on the results of the study it can be concluded that this research was conducted to test and demonstrate the influence of corporate social responsibility, management compensation, capital intensity, and financial distress on tax avoidance. The results of this study were obtained from testing companies listed on the Indonesia Stock Exchange (IDX) during the 2018-2020 period. The results of the study show that: 1) Corporate social responsibility, management compensation and capital intensity have a positive effect on tax avoidance. This means that the hypothesis and the results of this study are appropriate. 2) The financial distress variable has a positive effect on tax avoidance. The results of this study are not in accordance with the research hypothesis which states that financial distress has a negative effect on tax avoidance. So, the hypothesis is rejected. 3) The variable firm size as a control variable has a positive effect on tax avoidance. Therefore, the variable company size can be an independent variable for further research.

Limitation

The initial population of this study is not listed companies on the Indonesia Stock Exchange (IDX), but manufacturing companies listed on the Indonesia Stock Exchange (IDX) with an observation period of 2018-2020. This change occurred as a result of the renewal of the industrial sector classification on the Indonesia Stock Exchange, which was previously the Jakarta Industrial Classification (JASICA) to the IDX Industrial Classification (IDX-IC). This change in sector classification refers to POJK NUMBER 22/POJK.04/2021

Implication

This research has implications that can be applied by several parties in the practice of the business world, including: 1) For company management, this research is expected to be useful

to assist management in reporting and paying annual taxes appropriately and can avoid factors that will trigger the emergence of tax avoidance practices. In addition, management can avoid practices that are detrimental to management and shareholders in order to maximize profits. 2) For the government, the results of this research are expected to be able to help the Directorate General of Taxes (DGT) as a tax collection agency must pay special attention to monitoring and detecting fraud in the field of taxation. The results of this study can be used as a reference for detecting what factors will trigger companies or taxpayers to take tax avoidance actions, so as to be able to provide strict sanctions. 3) For investors, this research is expected to be able to provide information to determine tax conditions in companies that will be invested. This is done so that investors do not take the wrong step in carrying out their investment activities, and find out whether the company is compliant in paying taxes or not. The results of this study are also expected to help investors to predict what factors allow management to carry out tax avoidance practices.

Suggestions for Future Research

Based on the results of the study it can be concluded that this research was conducted to test and demonstrate the influence of corporate social responsibility, management compensation, capital intensity and financial distress on tax avoidance. The results of this study were obtained from testing companies listed on the Indonesia Stock Exchange (IDX) during the 2018-2020 period. The results of the study show that: 1) Corporate social responsibility, management compensation and capital intensity have a positive effect on tax avoidance. This means that the hypothesis and the results of this study are appropriate. 2) The financial distress variable has a positive effect on tax avoidance. The results of this study are not in accordance with the research hypothesis which states that financial distress has a negative effect on tax avoidance. So, the hypothesis is rejected. 3) The firm size variable as a control variable has a positive effect on tax avoidance. Therefore, the variable company size can be an independent variable for further research.

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Tax Avoidance Practices on the Indonesian Stock Exchange

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Abstract

This research provides an overview of tax avoidance practices in public companies on the Indonesia Stock Exchange. The factors studied included CSR disclosure quality, management compensation, capital intensity and financial distress. A total of 198 firm years from the 2018 to 2020 financial statements. The results show that CSR disclosure quality, management compensation, capital intensity, and company size (control variable) have a positive effect on tax avoidance. However, financial distress has no effect on tax avoidance..

Keywords : *CRS; Management Compensation; Capital Intensity; Financial Distress; Tax Avoidance; IDX.*

Abstraksi

Riset ini memberikan gambaran tentang praktik penghindaran pajak pada perusahaan terbuka di Bursa Efek Indonesia. Faktor yang diteliti meliputi kualitas pengungkapan CSR, kompensasi manajemen, intensitas modal, dan financial distress. Sebanyak 198 firm year from laporan keuangan 2018 hingga 2020. Hasil penelitian menunjukkan bahwa variabel kualitas pengungkapan CSR, kompensasi manajemen, intensitas modal, dan ukuran perusahaan (variabel kontrol) berpengaruh positif terhadap penghindaran pajak. Namun, Financial distress tidak berpengaruh terhadap penghindaran pajak.

Kata Kunci: *Tax Avoidance; Corporate Social Responsibility; Kompensasi Manajemen; Intensitas Modal; Financial Distress; Ukuran Perusahaan.*

Introduction

Taxes are a form of contribution for taxpayers to the state owed by individuals or entities that are coercive by law, by not getting compensation directly and used for the needs of the state for the greatest prosperity of the people (UU KUP Pasal 1 ayat 1). Taxes have a strong share in the revenue or income of the Indonesian state. The government as the state administrator is always trying to increase state revenues through the tax sector. The government's efforts can be seen from the strengthening of several regulations related to taxation. The main objective of these efforts is to maximize the revenue obtained by the state from the tax sector. The state wants optimal tax revenue so that state revenues increase. This is contradictory because of the company's desire to have the minimum tax payable in order to increase profits. The management conducts various forms of

experiments so that the company makes a profit. The experimental form for tax debt that is commonly used by many companies is tax avoidance. According to Dakhli (2021) there are legal actions while still paying close attention to the applicable tax regulations as an effort to minimize the company's tax payable, namely by carrying out tax avoidance activities.

Tax avoidance activities by companies are still common today. According to Nurhaliza (2020), three giant US technology companies such as Microsoft, Facebook and Google practice tax avoidance. This action is often carried out in both developed and developing countries, one of which is Indonesia. ActionAid International conducted research showing that these giant companies use the limitations of the global tax system to avoid taxes. Its value touches up to USD 2.8 billion or equal to Rp. 41 trillion per year. Giant companies are taking advantage during the pandemic, but contributing little or nothing to public services in several countries. The highest levels of tax gaps in the world are owned by Brazil, Nigeria, India, Bangladesh and Indonesia where the three large companies operate (<https://www.idxchannel.com> diakses 16 Oktober 2021).

Based on the phenomenon previously explained, tax avoidance measures are taken so that the three companies can maximize profits. This giant company has actually made an adequate profit at a time when other companies were actually going bankrupt and the economic conditions in almost all countries were experiencing a downturn due to the Covid-19 pandemic. Of course, this is in the spotlight and threatens the reputation of the three companies because they only think about high profits but do not think about corporate social responsibility. The three giant companies should be able to help the income of the countries where they operate by paying off the tax payable consistently following the provisions in each country. The previous description proves that tax avoidance actions are carried out by several companies consciously. This phenomenon proves that the practice of tax avoidance is still ongoing in various countries. The problems that arise due to the practice of tax avoidance are the disruption of state revenue receipts.

Tax avoidance is certainly influenced by various factors, the first of which is CSR (Corporate Social Responsibility). The implementation of CSR activities aims to support companies in overcoming various negative impacts from social, environmental and economic conditions of the company. CSR is a form of corporate responsibility to shareholders (stakeholders) so that the company's operational activities run well. It is different with taxes which are the responsibility of the company as a taxpayer, it must deposit its obligations to the state or government. The government is also one of the company's stakeholders. That way it means that social responsibility (CSR) influences the practice of tax avoidance.

The second factor is management compensation. There are two conditions that make companies practice tax avoidance. According to Alghifari *et al* (2020) management is able to practice tax avoidance if they receive compensation from the company for their actions. The second condition is explained by Budiadnyani (2020) that tax avoidance behavior provides an opportunity for management to be opportunistic. However, this attitude is not desired by investors because it is considered dangerous. The difference between the two conditions shows that the provision of compensation to management or managers will have a major influence on company decision making, and affect company performance. This reveals that management compensation has an effect on tax avoidance practices.

The third factor is capital intensity (capitan intensity). Capital intensity can also be interpreted as an investment activity by the company which is carried out by investing in fixed assets (Cahyani *et al.*, 2021). Fixed assets also cause the emergence of depreciation expenses which affect the decrease in profits. Depreciation arises due to the economic life of the fixed assets themselves. This condition certainly has an impact on decreasing profits, thus causing the company's tax burden to fall.

Based on this description, it can be proven that the company's capital intensity is high, resulting in higher opportunities for company management to carry out tax avoidance practices.

The next factor is financial distress. Financial distress is a condition that arises due to a decrease in a company's economic activity (Pratiwi *et al.*, 2020). When a company has difficulty dealing with ongoing financial distress, the possibility of the company going bankrupt is very large. Many companies that are entangled in financial distress are trying to find ways to be free from this condition. Companies also tend to reduce actions that have the potential to endanger the company's sustainability, such as tax avoidance.

Based on the research background, this research can formulate several problems, including: 1) Does corporate social responsibility affect tax avoidance? 2) Does management compensation affect tax avoidance? 3) Does capital intensity affect tax avoidance? 4) Does financial distress affect tax avoidance?

Teori Keagenan (Agency Theory)

The agency theory written by Jensen dan Meckling (1976) describes a contract in which one or more persons (principals) employ another person (agent) to perform various services on their behalf which involve the delegation of some decision-making authority to the agent. The principal mentioned in the previous explanation is the shareholder, and the agent is the company manager. The principal delegates management of resources to agents for corporate decision making. This delegation occurs because the principal considers the agent to know more about the company's internal conditions. Such delegation creates information asymmetry between agents and principals and will lead to disputes. Disputes between the two can lead to agency conflicts (agency problems). Agency conflicts will affect company performance and the quality of financial information. Conflicts that arise between principals and agents will trigger agency costs.

Tax Avoidance

Tax avoidance is a technique or method used by taxpayers to minimize the company's tax burden. Tax avoidance is often an alternative for companies to reduce the tax payable safely and legally. This action is considered valid because it is not contradictory with the applicable tax rules and laws. So this action is often used by companies to reduce the burdens they have in order to maximize profits. According to Budianti & Curry (2018) there are various forms of tax avoidance, such as taking advantage of tax law loopholes and intentional factors. Tax avoidance is considered a legal action because it does not violate and is still in accordance with applicable tax laws or regulations. Even the company considers this action as a profitable action. This is because it can reduce the tax burden that must be paid by the company and increase the profits generated.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is the embodiment of social responsibility that companies carry out for the environment. Various forms of CSR activities can also be carried out, such as increasing community welfare, building public facilities, and protecting the environment around the company, building public facilities (Zoebar & Miftah, 2020).. In Indonesia CSR is still voluntary disclosure. However, it should be noted that CSR is also a form of company contribution in supporting the country's economic development. SR with tax avoidance has an important relationship. It can be seen that CSR activities are a form of corporate responsibility to shareholders. Tax payment is a form of corporate responsibility to the state. Indeed, the effect cannot be felt directly by shareholders, but the tax payments are paid directly to the government.

Managerial Compensation

74 Compensation is an appreciation from the company in the form of material and non-material intended for the manager. Compensation aims to foster the motivation of managers in achieving company goals. Providing compensation also aims to align the interests of shareholders with the interests of company managers (Budiadnyani, 2020). There are various forms of compensation, including: basic wages (salary), incentive allowances, remuneration, pension programs, canteens, uniforms and so on. Management as a company agent definitely wants a big bonus. The bonuses given are mostly measured by company profits. The desire to get a large bonus makes management look more opportunistic to avoid taxes. Meanwhile, the principal wants guaranteed company sustainability. If the company's sustainability is guaranteed and their investment is safe, then the principal will provide some compensation to the agent.

Capital Intensity

55 Capital intensity is a form of investment activity of a company to increase the company's profitability. Investments made can be in the form of fixed assets (fixed assets) and inventories. Capital intensity is obtained by comparing the value of fixed assets with the total value of assets owned by the company (Sugiyanto & Fitria, 2019). Companies that decide to invest in fixed assets or capital have strong implications for taxation. The link between fixed assets and taxation can be seen from the depreciation. Depreciation is a deductible expense which can be used as a deduction from pre-tax profits. If depreciation is used as a deduction from profit, the burden of tax payable will be smaller (Alghifari et al., 2020). Based on this explanation, it can be concluded that companies tend to invest in fixed assets with the aim of reducing the tax burden. Utilization of depreciation expense as a tax reduction effort that is deliberately carried out by this company is a form of tax avoidance.

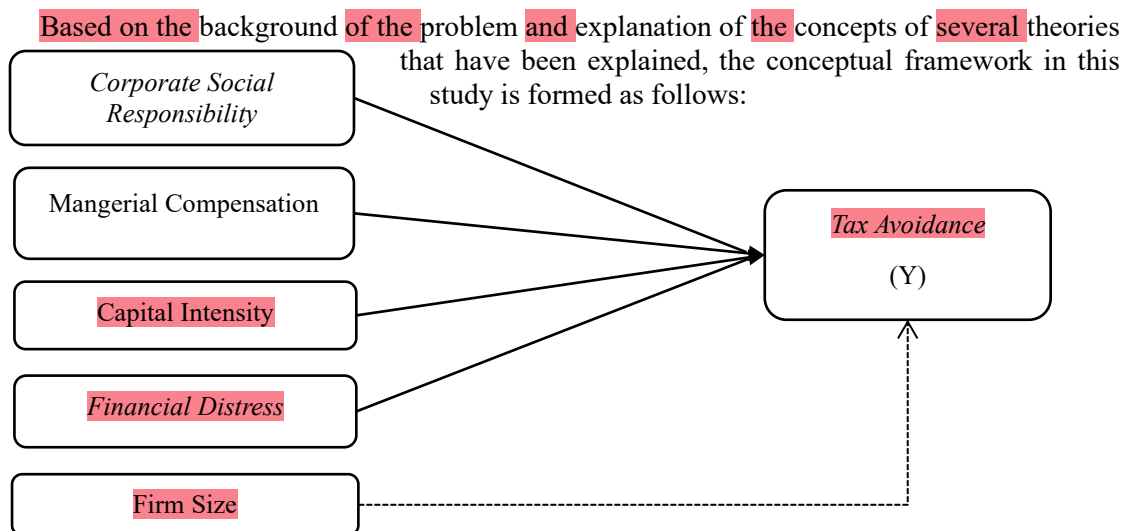
Financial Distress

67 92 Financial distress which has the meaning of financial difficulties, namely the event of a decline in the company's financial condition which will lead to bankruptcy or liquidation of a company. Financial distress conditions arise when a company has limited funds to continue or run its company's operational activities again (Nadhifah & Arif, 2020). Companies have a tendency to reduce tax avoidance when experiencing financial distress. The reason the company avoids tax avoidance is because the company views this action as having a high enough risk to the survival of the company. Financial distress will trigger company bankruptcy, because the company is unable to pay its obligations. One of the company's obligations is to pay expenses. This condition explains that a company that is in a state of distress certainly will not be tax-payable, because the company does not earn a profit either.

Company Size

15 2 The size of a company is very important for company performance. Company size can be defined as a benchmark for classifying the size of the company (Moeljono, 2020). In contrast to small companies which tend to have difficulties in obtaining capital (Fauziah, 2021). Companies will certainly use various ways to minimize the tax burden that must be paid. Based on this explanation, company size can be an indicator of control in taxation. Tax collectors can see whether or not a

company is obedient in paying taxes. In addition, company size can see whether the company has the potential or not to take tax avoidance actions.



Picture 1. Conceptual Framework

Research Hyphotesis

Corporate Social Responsibility and Tax Avoidance

Corporate Social Responsibility is a form of business loyalty to act ethically, uphold the quality of life of the community, prosper employees, and contribute to economic development. CSR activities and taxes certainly have their own costs. This fee must be paid by the company annually. These costs cause a decrease in profits or company revenue. Based on agency theory, the principal gives rights to the agent to manage the company's operational activities and make decisions. Therefore, to increase the company's profit, the agent chooses tax avoidance. This action is carried out by minimizing the tax burden incurred.

Research conducted (Rohyati & Suripto, 2021) dan (Sianturi *et al.*, 2021) explains the results that Corporate Social Responsibility has a positive influence on tax avoidance. This proves that the more often a company carries out CSR activities, the more often the company carries out tax avoidance. Based on the previous description, a hypothesis is formed in this study:

H₁: Corporate Social Responsibility has a positive effect on Tax Avoidance

Kompensasi Manajemen dan Tax Avoidance

This management compensation is used by several companies to attract and protect qualified human resources. This compensation aims to make managers more active and motivated to return to work. So that the work results are optimal and of high quality. Agency theory (agency theory) indicates that there is a relationship between management compensation and tax avoidance actions.

This indication is reflected in the provision of allowances to company management. Compensation that is high enough will encourage managers to be more active in order to improve company performance.

Research (Alghifari *et al.*, 2020) presents results that explain management compensation has a positive effect on tax avoidance. This shows that if there is an increase in management compensation, there will also be an increase in tax avoidance. Based on the previous explanation, a second hypothesis was formed in this study, namely:

H₂: Managerial Compensation has a positif effect on Tax Avoidance.

Capital Intensity and Tax Avoidance

Capital intensity is a reflection of the amount of capital needed by the company in an effort to generate profit or income. According to Cahyani *et al* (2021) the company's source of funds or capital is obtained through the increase or decrease in the company's fixed assets. In agency theory, it describes the disparity of interests between management (agents) and shareholders (principals). The agent's interest in a company is to receive compensation. In order to get compensation, the agent will try to increase the company's performance. This of course will motivate agents to increase company profits through tax avoidance actions. Efforts to reduce the tax burden can be carried out by management by utilizing depreciation originating from fixed assets.

Research (Cahyani *et al.*, 2021) and (Sianturi *et al.*, 2021) show results which state that capital intensity has a positive effect on tax avoidance. These results show that the greater the capital intensity carried out by the company, the greater the possibility for the company to take tax avoidance actions. Based on the previous explanation, a third hypothesis was formed for this study, namely:

H₃: Capital Intensity has a positif effect on Tax Avoidance

Financial Distress and Tax Avoidance

Financial distress is a situation when a company experiences difficulties or lacks funds to carry out its operational activities. According to Nadhifah & Arif (2020) companies that are facing financial distress have a tendency not to take tax avoidance because it will damage the company's image. The explanation in agency theory states that each party is considered to act to meet personal needs, especially the agent. The agent will always look for ways so that the company's image is not bad and keeps the company afloat even though it is experiencing financial distress. However, the shareholders or investors are worried that if the company is in distress, the money or capital they have invested in the company will be lost. This concern arose because of the high probability that the company would go bankrupt.

The results of research (Pratiwi *et al.*, 2020) and Nadhifah & Arif (2020) explain that financial distress has a negative effect on tax avoidance. The results mean that the greater the level of financial distress a company has, the less likely the company will take tax avoidance. Based on the explanation above, this study forms the fourth hypothesis:

H₄: Financial Distress has a negative effect on Tax Avoidance.

Research Design

This type of research is quantitative by using hypothesis testing which aims to test whether there is a correlation between two or more variables. This study aims to show the effect of corporate social responsibility, management compensation, capital intensity, and financial distress on tax avoidance. The data in this study uses secondary data types. Data obtained from the official website of the Indonesia Stock Exchange, annual reports of IDX issuers for the 2018-2020 period which have been published on the website www.idx.co.id. This research also combines other sources, namely official websites, books, and institutional academic papers in the form of academic journals that are appropriate to the research. The process of taking data samples in this study used a purposive sampling method.

Tax avoidance is an effort to circumvent the company's tax debt. This effort aims to reduce the burden of tax payable than it should be. Tax avoidance is calculated using the Effective Tax Rate (ETR) formula, namely dividing the total tax expense by profit before tax. The results of this calculation are then multiplied by (-1), like Rohyati and Suropto (2021).

Corporate Social Responsibility (CSR) is the embodiment of social responsibility that companies do for the environment. (Zoebar & Miftah, 2020). CSR variable measurement refers to the Global Reporting Initiative (GRI) Standards. The CSR disclosure indicators in this study are guided by the GRI Standards indicators, namely a number of 77 specific topics (Narayana & Wirakusuma, 2021). CSRI measurement according to Herlina (2021), can be done by giving a value of 1 for the available disclosure items, and 0 if there are none. The total number of CSR disclosures in one company in one year will be compared with a total of 77 items, in order to obtain a CSR index number. Making a high CSR index number, the better the quality of the disclosure.

Management compensation is the provision of remuneration to groups or individuals for their dedication. Measurement of compensation in this study is proxied by calculating the natural logarithm of the total nominal amount of compensation received by directors for one year (Alghifari et al., 2020). Information about the amount of management compensation received by the directors can be found in the notes disclosure section of the financial statements (Indriyanti & Setiawan, 2019). Intensitas Modal (X_3)

Capital intensity is a form of action that is often carried out by companies in investing their capital. The capital intensity variable is measured by the ratio of total fixed assets to total assets (Cahyani et al., 2021). This capital intensity ratio explains the effectiveness of asset utilization to generate income.

Financial distress is when a company's financial position is experiencing a period of financial difficulties or liquidity is an early sign of bankruptcy (Nuryeni & Hidayati, 2021). According to (Swandewi & Noviari, 2020) measurements of financial distress can be proxied by the Altman Z-Score. This formula explains that the potential for bankruptcy of a company will appear in the Z value. This can be seen from the Z value obtained if $Z \geq 2.99$ means the company is in a safe zone. If $1.81 \leq Z < 2.99$ it means that the company can be categorized in the gray zone. Furthermore, the company can be said to be in a state of distress if the value $Z < 1.81$. Altman Z-score formula is:

$$.Z = 1.2A + 1.4B + 3.3C + 0.6D + 1E$$

Note:

A = (Current Asset – Current Liability) / total asset, B = Retain earning / Total asset,
C = Earning before Income Tax / Total asset, D = (Total share x Price per share) / total Liability
E = Sales / Total Asset

Company size can be a benchmark for classifying companies based on their assets. This quantity is calculated using the natural logarithm (Ln) of the company's total assets. The use of total assets is intended to minimize a significant gap between small and too large companies (Fauziah, 2021).

Analysis & Discussion

This study uses a population of companies listed on the Indonesia Stock Exchange (IDX) with an observation period of 2018-2020. Determination of the sample used is based on purposive sampling method criteria for companies listed on the Indonesia Stock Exchange. Based on the results of the selection and data collection, the number of samples obtained was 66 companies. The period used in this study was 3 years (2018-2020), so that 198 data were obtained to be examined. The data selection process carried out in this study is as follows:

Table 1.
Sampling Criteria

| No | Criteria | Total |
|----|--|------------|
| 1. | Listing Company on the Indonesia Stock Exchange for the 2018-2020 period. | 195 |
| 2. | Companies that do not publish complete and consistent annual reports during the 2018-2020 period | (49) |
| 3. | Companies that have lost and made no profits during the 2018-2020 period | (29) |
| 4. | Companies that use currencies other than IDR in presenting their annual financial statements during the 2018-2020 period | (44) |
| 5. | Companies that do not disclose corporate social responsibility activities during the 2018-2020 period | (7) |
| | Number of companies studied | 66 |
| | Number of year observed | 3 |
| | Total Sampel (firm years) | 198 |

The initial population of this study is not listed companies on the Indonesia Stock Exchange (IDX), but manufacturing companies listed on the Indonesia Stock Exchange (IDX) with an observation period of 2018-2020. This change occurred as a result of the renewal of the industrial sector classification on the Indonesia Stock Exchange, which was previously the Jakarta Industrial Classification (JASICA) to the IDX Industrial Classification (IDX-IC). This change in sector classification refers to POJK NUMBER 22/POJK.04/2021.

Table 2. Statistic Descriptive Variables

| Variabel | n | Min | Max | Mean | St Dev |
|--------------------|-----|--------|--------|----------|----------|
| Tax Avoidance | 198 | 0,021 | 1,222 | 0,29314 | 0,163121 |
| CSR | 198 | 0,039 | 0,623 | 0,24679 | 0,114104 |
| Mgt Compensation | 198 | 16,649 | 27,918 | 23,37556 | 1,551769 |
| Capital Intensity | 198 | 0,003 | 0,951 | 0,39183 | 0,186148 |
| Financial Distress | 198 | 0,163 | 10,639 | 2,73226 | 1,471942 |
| Firm Size | 198 | 25,955 | 33,495 | 28,8557 | 1,593983 |

The tax avoidance variable is proxied by the ETR (Effective Tax Rate) which shows a minimum value of 0.021 owned by PT. Sky Energy Indonesia Tbk in 2020. The maximum value of the tax avoidance variable is 1.222 which is owned by PT. Trias Sentosa Tbk in 2019. The minimum value shows that the company has indications of taking greater tax avoidance actions than other companies. The average value of the tax avoidance variable is 0.29314 and the standard deviation is 0.163121. The standard deviation value which is smaller than the average value means that the data is homogeneous. This shows that the level of tax avoidance is quite low.

The corporate social responsibility variable is proxied using the corporate social responsibility index (CSRI). The results of CSR measurements are reflected in the analysis of CSR activities in the annual report. Based on the table above, the CSR variable shows a minimum value of 0.039 which is owned by PT. Tempo Scan Pacific Tbk in 2018, which means the company discloses 3.9% of the 77 CSR indicator items in the GRI Standard. The maximum value of 0.623 is owned by PT. Japfa Comfeed Indonesia Tbk in 2020 which shows the company complied with 62.3% of the total 77 disclosure items. The average value of the corporate social responsibility variable is 0.24679 with a standard deviation of 0.114104. The average value of 0.24679 or 24.679% indicates the percentage of sample companies that have disclosed CSR activities from 77 assessment items in the company's annual report.

Management compensation is proxied by the natural logarithm of the value of compensation received by directors during one year. The management compensation variable shows a minimum value of 16.649 which is owned by PT. Sariguna Primatirta Tbk in 2020. The maximum value of 27,918 is owned by PT. Astra International Tbk in 2018. The average value of the management compensation variable is 23.37556 with a standard deviation of 1.551769. The standard deviation value is smaller than the average value indicating that the data is homogeneous. The average value indicates the amount of compensation given to the board of directors of companies listed on the Indonesia Stock Exchange that are included in the research sample.

The capital intensity variable shows a minimum value of 0.003 which is owned by PT. Selamat Sempurna Tbk in 2018. The maximum value of 0.951 is owned by PT. Buana Artha Anugerah Tbk in 2020. The minimum value on the capital intensity variable means that the company invests less in its fixed assets than other companies. The maximum value indicates that the company invests more in fixed assets than other companies. The average value of the capital intensity variable is 0.39183 and the standard deviation is 0.186148. The

average value of capital intensity is 0.39183, meaning that 39.183% of companies invest in their fixed assets. The standard deviation value is smaller than the average value indicating that the data is homogeneous and means that capital intensity has a low deviation rate.

The financial distress variable has a minimum value of 0.163 which is owned by PT. Selamat Sempurna Tbk in 2018. The maximum value of 10,639 is owned by PT. Hanjaya Mandala Sampoerna Tbk in 2020. The greater the financial distress value of a company, it indicates that the company's financial condition is less problematic. If the value of a company is above the average value, then the company has a good financial condition and the potential for bankruptcy is smaller. The average value of financial distress is 2.73226 with a standard deviation of 1.471942. The average value of 2.73226 indicates that the average listing company on the Indonesia Stock Exchange (IDX) is in the gray zone, because the value is $1.81 \leq Z < 2.99$.

The company size variable is proxied by the natural logarithm of total assets, which has a minimum value of 25.955 which is owned by PT. Pyridam Farma Tbk in 2018. The maximum value of 33,495 is owned by PT. Astra International Tbk in 2019. The minimum value seen from the company's total assets shows that the company is smaller than other companies. The maximum value means that the size of the company is bigger than other companies. The average value of all company size variables is 28.85570, while the standard deviation is 1.5933983. The standard deviation value is smaller than the average indicating that the data is homogeneous, meaning that the size of the company has a lower deviation rate.

Tabel 4. Hasil Uji Hipotesis

| Variables | Expected sign | β | significant |
|-------------------------|---------------|---------|-------------|
| Cosntanta | | 0,594 | 0,004 |
| CSR | + | 0,192 | 0,058* |
| Management Compensation | + | 0,040 | 0,000* |
| Capital Intensity | + | 0,122 | 0,042* |
| Financial Distress | - | 0,019 | 0,012 |
| Firm Size | | 0,024 | 0,018* |
| Adj R | | 0.16 | |
| F Test | | 7.427 | 0.000 |

Dependent Variable: Tax Avoidance

*) sign at 5%

Sumber: Data Diolah SPSS 25,2022

Discussion

Corporate Social Responsibility and Tax Avoidance

Sourced from research results, the results obtained stated that the corporate social responsibility variable had a positive effect on tax avoidance. This result can be interpreted that the

more companies disclose corporate social responsibility activities, the greater the tax avoidance actions taken by these companies.

Corporate Social Responsibility is a form of company commitment not only to the surrounding environment, but also to shareholders. In agency theory, the principal gives full rights to the agent (management) to manage the company's activities. So that the agent has considerable authority in managing the company's activities in order to obtain maximum profit. In order to obtain optimal profits, the management seeks to reduce costs that are borne by the company, such as tax burdens, by using the weaknesses listed in the tax laws.

The results of this study concur with research (Rohyati & Suropto, 2021) and (Setiawati & Adi, 2020) which concluded that the higher a company discloses CSR, the higher the tax avoidance actions that will be carried out. The company's management seeks to keep the CSR program running and the company's profits remain optimal, so the actions taken by management are by carrying out tax avoidance.

Managerial Compensation and Tax Avoidance

In the study, the results were obtained where the management compensation variable had a positive effect on tax avoidance. This can be interpreted that the higher the compensation received by the company's management, the higher the tax avoidance actions taken.

Management compensation is a form of compensation given to company management. The results of this study are in accordance with agency theory which states that agents (management) have a tendency to act according to their personal interests. The management who received the compensation certainly wants to get back the compensation in the years to come. The management is able to do various ways to get compensation in the following years, one of which is by increasing the company's profits. Management's efforts to increase company profits by reducing the tax burden borne by the company. Management certainly chooses the load that has the lowest risk if it is deducted. The potentially deductible expense is the tax expense. Of course, management will be tempted to reduce the tax burden and take tax avoidance measures.

This study has results that are in line with research conducted by Alghifari et al (2020). The research concludes that giving high compensation can affect tax avoidance. Management assumes that the more compensation they receive, the more corporate will they must obey. This assumption certainly triggers management to carry out tax avoidance actions.

Capital Intensity and Tax Avoidance

This study found that the capital intensity variable has a positive effect on tax avoidance. This means that the more companies invest in fixed assets, the more tax avoidance activities will occur. Capital intensity is a form of investment made by a company to increase the company's profitability. Investments that are often made are investments in fixed assets. The main reason companies like to invest in fixed assets is because they are an important element in supporting company activities. Decrease or increase in fixed assets will result in depreciation costs. Depreciation costs are of course a deduction from the company's income. The amount of the company's depreciation expense will affect the amount of profit that is obtained. If the current year's profit is small, of course it will affect the company's payable tax. So it is very possible for companies to take tax avoidance actions by reason of decreased profits. In line with agency theory which states that between shareholders (principals) and management (agents) there are different interests. The principal wants optimal profit for the survival of the company itself. Meanwhile, the agent tries to generate a lot of profit to get compensation.

The results of this study are in line with (Sianturi et al, 2021) and (Cahyani et al, 2021) which state that capital intensity has a positive effect on tax avoidance. The results of this study are also in line with research conducted (Alghifari et al., 2020) which stated the results that capital intensity affects tax avoidance.

Financial Distress and Tax Avoidance

In this study, it was found that the financial distress variable has no effect on tax avoidance. Financial distress is a situation where a company is faced with a difficult financial situation, so that its operational activities do not run smoothly or are forced to stop. In line with agency theory, it is stated that information asymmetry will arise from both the principal and the agent. This is based on the assumption that each party always acts in its own interest. On behalf of the company, management seeks to improve performance so that the image is always better, even though the company is in financial trouble. Companies in this situation try to take any action so that the company can survive. The pressure of the existing conditions certainly triggered the management to manipulate the company's accounting activities. This manipulation is carried out by carrying out tax avoidance actions, where an action reduces the company's tax burden so that the company can pay its obligations to other parties.

This research shows results that are in line with research (Swandewi & Noviari, 2020). In this study it was explained that financial distress had a significant positive effect on tax avoidance. But these results contradict research (Nadhifah & Arif, 2020), (Pratiwi et al., 2020), and (Cita & Supadmi, 2019) which show results that financial distress has a negative effect on tax avoidance.

Firm size and tax avoidance

This study has one control variable, namely company size. Firm size variable has a positive influence on tax avoidance. This can be interpreted that the larger the size of a company, the higher the amount of tax avoidance that will be carried out by the company.

The size of a company certainly affects the activities of the company. The larger the company, the greater the source of funds obtained to finance its investment activities in the capital market. Acquisition of funds owned by the company will affect the amount of the tax burden borne by the company. The agent certainly tries as much as possible to manage company tax payments so that the costs charged to the company are low. Based on the explanation, it can be concluded that company size will influence management to take tax avoidance actions.

The results of this study are in line with research conducted by (Fauziah, 2021) and (Ayu & Kartika, 2019) which state that company size has a significant positive effect on tax avoidance. It can be explained that the size of a company affects the tax avoidance actions taken. Large companies tend to have a high source of funding, and use it to manage a low tax burden.

Conclusion

Based on the results of the study it can be concluded that this research was conducted to test and demonstrate the influence of corporate social responsibility, management compensation, capital intensity, and financial distress on tax avoidance. The results of this study were obtained from testing companies listed on the Indonesia Stock Exchange (IDX) during the 2018-2020 period. The results of the study show that: 1) Corporate social responsibility, management compensation and capital intensity have a positive effect on tax avoidance. This means that the hypothesis and the results of this study are appropriate. 2) The financial distress variable has a positive effect on tax avoidance. The results of this study are not in accordance with the research hypothesis which states that financial distress has a negative effect on tax avoidance. So, the hypothesis is rejected. 3) The variable firm

size as a control variable has a positive effect on tax avoidance. Therefore, the variable company size can be an independent variable for further research.

IMPLICATION

This research has implications that can be applied by several parties in the practice of the business world, including: 1) For company management, **this research is expected to be useful to** assist management in reporting and paying annual taxes appropriately and can avoid factors that will trigger the emergence of tax avoidance practices. In addition, management can avoid practices that are detrimental to management and shareholders in order to maximize profits. 2) For the government, **the results of this research are expected to** be able to help **the Directorate General of Taxes (DGT)** as a tax collection agency must pay special attention to monitoring and detecting fraud in the field of taxation. The results of this study can be used as a reference for detecting what factors will trigger companies or taxpayers **to take tax avoidance actions, so as to be able to** provide strict sanctions. 3) For investors, **this research is expected to be able to provide information to** determine tax conditions in companies that will be invested. This is done so that investors do not take the wrong step in carrying out their investment activities, and find out whether the company is compliant in paying taxes or not. **The results of this study are also expected to** help investors to predict what factors allow management to carry out tax avoidance practices.

Future Research Suggestion.

Based on the results of the study it can be concluded that this research was conducted to test and demonstrate the influence of corporate social responsibility, management compensation, capital intensity and financial distress on tax avoidance. The results of this study were obtained from testing companies listed on the Indonesia Stock Exchange (IDX) during the 2018-2020 period. The results of the study show that: 1) Corporate social responsibility, management compensation and capital intensity have a positive effect on tax avoidance. This means that the hypothesis and the results of this study are appropriate. 2) The financial distress variable has a positive effect on tax avoidance. The results of this study are not in accordance with the research hypothesis which states that financial distress has a negative effect on tax avoidance. So, the hypothesis is rejected. 3) The firm size variable as a control variable has a positive effect on tax avoidance. Therefore, the variable company size can be an independent variable for further research.

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