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Determinants of Manufacturing Company Tax Avoidance in Indonesia, Independent Commissioner as Moderating Period 2015 – 2020

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ABSTRACT: The practice of tax avoidance cannot be avoided as long as the tax regulations are still multi-interpreted. Tax avoidance also occurs because of the lack of a humanistic approach, as referred to in organizational legitimacy theory, planned behavior theory, stakeholder theory of corporation and agency theory. Basically, humans prefer to get rewards and avoid punishment. Tax policy provides more rewards than punishment. In addition, the theological approach for company executives is not carried out and considers the practice of tax avoidance is still reasonable and innocent.

Companies use financial and non-financial aspects to avoid tax. The research focuses on financial aspects, such as return on assets, debt to equity ratio, firm size, sales growth, current ratio and capital intensity. The object of the research is manufacturing companies listed on the Indonesia stock exchange from 2015 to 2020. The purposive sampling method was used for sampling and the number of samples in this study amounted to 545 test units, consisting of 91 companies for 6 years of research using moderated regression analysis.

The findings from the results of data processing are that the variables of return on assets, debt to equity ratio, firm size, capital intensity ratio and sales growth have an influence on tax avoidance. While the current ratio has no effect on tax avoidance. The independent commissioner variable is proven to be able to moderate the relationship between return on assets, debt to equity ratio, and capital intensity ratio with tax avoidance. Meanwhile, the proportion of independent commissioners is proven not to moderate the relationship between firm size, sales growth and current ratio with tax avoidance.

KEYWORDS: capital intensity, current ratio, debt to equity ratio, firm size, return on assets, sales growth, proportion of independent commissioners, tax avoidance

1. BACKGROUND

The largest state revenue comes from the tax sector. The increase in tax revenue continues to be carried out through extensification and intensification in the field of taxation. With the issuance of the Law on the Harmonization of Tax Regulations (Law No. 7 of 2021) it is hoped that there will be an increase in state revenues from the tax sector.

These efforts are experiencing obstacles from taxpayers through tax avoidance activities. The government does not prohibit taxpayers from conducting tax avoidance activities if they comply with tax regulations. However, for the Directorate General of Taxes, the practice of tax avoidance is seen as unfavorable because it has a negative impact on the performance of the tax office, due to the reduced deposit of tax funds.

Muhammad Kifni said tax avoidance activities have caused state revenues from the tax sector not to reach the target and even if left unchecked, the state could lose hundreds of billions of tax revenues every year (Head of Sub-Directorate for Investigation of DJP) (Kifni, 2011)

(Mappadang, 2020), mentions that tax evasion activities also occur in Indonesia for multinational companies engaged in the manufacturing industry. Likewise, (Pohan et al., 2022), stated that the practice of tax avoidance is usually carried out by parties who have special relationships both at home and abroad.

(Desai & Dharmapala, 2006), found that the imposition of high tax rates forced companies to take tax avoidance actions. (Pollock et al., 2010), found that the tax burden is seen as a burden that burdens companies and owners, therefore there are efforts by companies to avoid tax. (Dyreng et al., 2010), said that the top management in the company has an influence on tax avoidance practices. (Lanis & Richardson, 2013), state that actions to minimize the tax burden

through tax avoidance activities are a common feature of corporate landscapes and managerial strategies around the world.

As for the indications of the practice of tax avoidance, namely the non-achievement of tax revenue target from 2015 to 2020. The target will only be achieved in 2021, as shown in table 1 below.

Table 1. Comparison of Realization and Targeted Tax Revenues for the Period of 2015 to 2021 (in IDR Trillion)

Keterangan							
	2015	2016	2017	2018	2019	2020	2021
Actual	1,055.00	1,105.00	1,151.03	1,313.50	1,332.10	1,072.10	1,277.50
Target	1,294.25	1,355.00	1,283.63	1,424.99	1,577.60	1,198.82	1,229.60
Achievment	81.51%	81.55%	89.67%	92.18%	84.44%	89.43%	103.90%

Source: Directorate General of Taxes, Ministry of Finance (2021)

Another indication of tax avoidance is that the achievement of the annual tax ratio is still low and far from the desired target, which is 15% per year. This means that corporate taxpayers have not reported and paid their tax obligations correctly, even though their taxable income has increased. In table 2 below, an overview of the tax ratio for 2016-2021 is shown.

Table 2. Realization of Indonesia's Tax Ratio in 2016-2021 (in %)

Year	Percentage
2021	9.11%
2020	8.33%
2019	9.76%
2018	10.24%
2017	9.89%
2016	10.37%

Source: Directorate General of Taxes, Ministry of Finance (2021)

Many factors or variables affect tax avoidance practices, including return on assets, debt to equity ratio, firm size, sales growth, capital intensity ratio, current ratio, fiscal loss compensation, independent commissioners, company risk, institutional ownership, audit quality , management compensation, executive character, information systems, and others. In this study, the research variables are limited to six independent variables, namely return on assets, debt to equity ratio, firm size, sales growth, capital intensity ratio, current ratio and one moderating variable, namely the independent commissioner. The return on assets variable is used to measure profitability, namely the company's ability to generate profits from all of its assets.

The debt to equity ratio variable is used to determine the level of leverage, the ratio of the total liabilities and equity used to fund the company's activities. The increase in liabilities will increase the interest expense and operating expenses that must be borne by the company. Sales growth variable, indicating sales growth, is likely to be followed by an increase in operating profit. Variable capital intensity ratio, the ratio of fixed assets to total assets. The increase in fixed assets will increase operating expenses through an increase in depreciation expense. An increase in depreciation expense will reduce operating profit. The current ratio variable describes the company's liquidity ability to pay off short-term liabilities when they fall due. Firm size variable, the measurement uses the logarithm of total assets. According to (Dyreng et al., 2010), to see the size of a business entity can be seen from the value of its firm size. Companies that have large firm sizes have the advantage of finding legal loopholes in tax regulations that can be utilized for the benefit of taxpayers.

2. PROBLEM FORMULATION

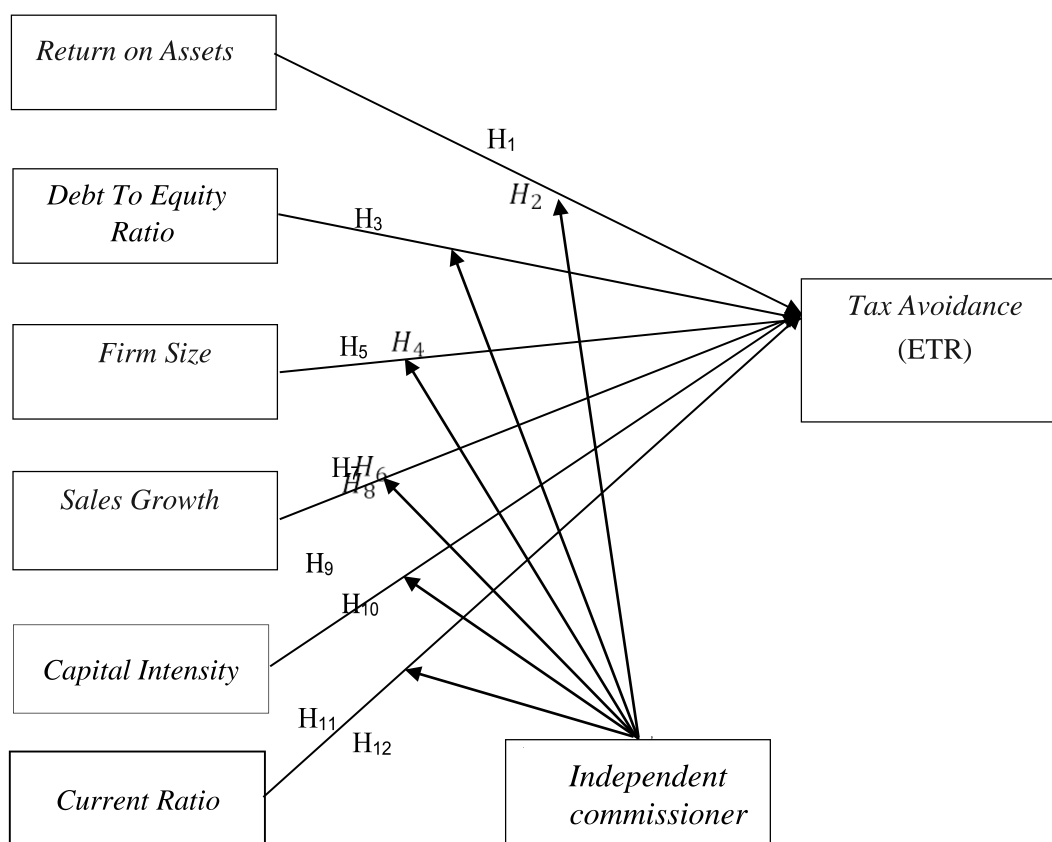
1. How is the effect of return on assets, debt to equity ratio, firm size, sales growth, capital intensity ratio, and current ratio variables on tax avoidance?
2. How is the influence of the independent commissioner variable in moderating the relationship between return on assets, debt to equity ratio, firm size, sales growth, capital intensity ratio, and current ratio variables on tax avoidance?

3. RESEARCH OBJECTIVES

1. To analyze and prove empirically the effect of return on assets, debt to equity ratio, firm size, sales growth, capital intensity ratio, and current ratio variables on Tax Avoidance.
2. To analyze and prove empirically whether the independent commissioner variable is able to moderate the effect of the return on assets, debt to equity ratio, firm size, sales growth, capital intensity ratio, and current ratio variables on tax avoidance.

4. RESEARCH MODEL

The results of previous studies showed different results, between one researcher and another. This is caused by differences in research objects, research locations, research variables, research periods, and others. This research model can be described as follows:



5. THEORY STUDY

(Dowling & Pfeffer, 1975) in Organizational Legitimacy Theory say that every organization must try to create harmony between the social values that exist in organizational activities and the norms that exist in the social environment in which the organization is located and is a part of that social environment. It is necessary to make a social contract between the company and the community where the company operates. (Donaldson & Preston, 1995) in the Stakeholder Theory of Corporation mention that the performance of an organization is influenced by all organizational stakeholders, therefore it is a managerial responsibility to provide benefits to all stakeholders that affect organizational performance.

(Jensen & Meckling, 2019) in Agency Theory state that there are two parties with an interest in a company, namely the manager (agent) and the owner of the company (principal) and both have their own interests in the company. (Ajzen & Fishbein, 1975) in Theory of Planned Behavior explain any behavior that requires planning. To do tax avoidance, tax planning is needed. For taxpayers who are aware of taxes, will have confidence about the importance of paying taxes for financing development. On the other hand, taxpayers who believe that it is not important to pay taxes will lead to low awareness of paying taxes and this has an impact on tax avoidance behavior.

(Lanis & Richardson, 2012) state that ETR is a measurement of tax avoidance that is often used in research. According to

(Frank & Hutchison, 2009), the value of ETR is considered to reflect the fixed difference between the calculation of accounting profit and fiscal profit. ETR reflects the current tax burden owed by the company from the commercial profit earned by the company during the current period. The ETR proxy is considered an indicator of tax avoidance if it has an ETR that is close to zero. The higher the ETR value, the lower the level of tax avoidance.

Adam Smith in his book entitled "Wealth of Nations" describes the theory of four maxim taxation. He said there are 4 (four) principles of tax collection, namely: the principle of equality, the principle of certainty (legal certainty), the principle of convenience of payment (on time) and the principle of efficiency (economics of collection) (Smith, 1998). If the taxpayer understands, understands and adheres to these four principles, then tax compliance will increase and tax revenue will also increase.

6. RESEARCH HYPOTHESIS

H1: The return on assets variable has an effect on tax avoidance
H2: Independent commissioners are able to moderate the relationship between return on assets and tax avoidance
H3: The variable debt to equity ratio has an influence on tax avoidance
H4: Independent commissioners are able to moderate the relationship between debt to equity ratio and tax avoidance
H5: Firm size variable has an effect on tax avoidance
H6: Independent commissioners are able to moderate the relationship between firm size and tax avoidance
H7: Sales growth variable has an influence on tax avoidance
H8: Independent commissioners are able to moderate the relationship between sales growth and tax avoidance
H9: The variable capital intensity ratio has an effect on tax avoidance
H10: Independent commissioners are able to moderate the relationship between capital intensity ratio and tax avoidance
H11: The current ratio variable has an influence on tax avoidance
H12: Independent commissioners are able to moderate the relationship between current ratio and tax avoidance

7. RESEARCH METHOD

The method used in this study is a descriptive-verificative method, with the object of research being all manufacturing companies listed on the Indonesia stock exchange from 2015 to 2020. The purposive sampling method was used for sampling. The number of samples obtained as many as 91 companies for 6 years of observation, so the amount of data to be processed is 546 data. The type of data in this research is quantitative data, sourced from the annual financial report. The data were obtained using the documentation method sourced from scientific journals, previous research, and the Indonesian stock exchange website (www.idx.co.id). (Iswahyudi et al., 2021) To process research data using Moderated Regression Analysis (MRA) with the help of the SPSS 25 program. The results of the sampling selection are as follows:

No	Description	Quantity
1	Number of Registered Issuers in 2020	182
2	Annual financial reports are not available or not published on the Indonesia stock exchange website consistently from 2015 to 2020	(44)
3	The value of the effective tax rate (ETR) is less than 0 (negative) or greater than 1 as long as period 2015 – 2020	(47)
4	Number of selected samples	91
5	Years of observation 2015-2020 (6 years)	6
6	Total research data	546

Source: Indonesia Stock Exchange, data reprocessed (2022)

8. VARIABLE OPERATIONALIZATION

To measure the practice of tax avoidance, the author uses the value of effective tax rates. The value of effective tax rates is

obtained by dividing the total tax burden by profit before tax. Researchers (Richardson & Lanis, 2007), (Huseynov & Klamm, 2012), (Sindelarova et al., 2014), and (Hanlon & Heitzman, 2010) suggest that the value of effective tax rates is a measuring tool to show the existence of tax avoidance that is widely used in research. By knowing the value of effective tax rates, it can be shown the cause of the difference between the calculation of accounting profit and fiscal profit (Frankfurter & Wood Jr, 2002). The magnitude of the effective tax rates value is an indication of the existence of tax avoidance practices. The higher the effective tax rates value, the lower the tax avoidance activity, and vice versa.

No	Name Variable	Dimension	Measurement	Formula
1.	Tax Avoidance	*Effective Tax rate*	$ETR = \frac{\text{Tax Expense}}{\text{Income before tax}}$	Ratio scale
2.	Return on Assets	Profitability	$ROA = \frac{Net\ Income}{Total\ Asset}$	Ratio scale
3.	Debt to Equity Ratio	Leverage	$DER = \frac{Total\ \text{Liabilities}}{Ekuities}$	Ratio scale
4.	Firm Size	Firm Size	*Size* = Ln (Total Aset)	Ratio scale
5.	Sales Growth	Sales Growth	*Sales Growth* = (end of year sales – start of year sales) / End of year sales	Ratio scale
6.	Capital Intensity ratio	Capital intensity Ratio	CIR = Total Net Fixed Assets / Total Assets	Ratio scale
7.	Current Ratio	Likuidity	CR = Current Assets / Current Liabilities	Ratio scale
8.	Independent commissioner	Proportion of Independent Commissioners	PDKI = Number of independent commissioners / Number of Board of Commissioners	Ratio scale

9. RESEARCH RESULT

9.1. Descriptive Statistics Test Results

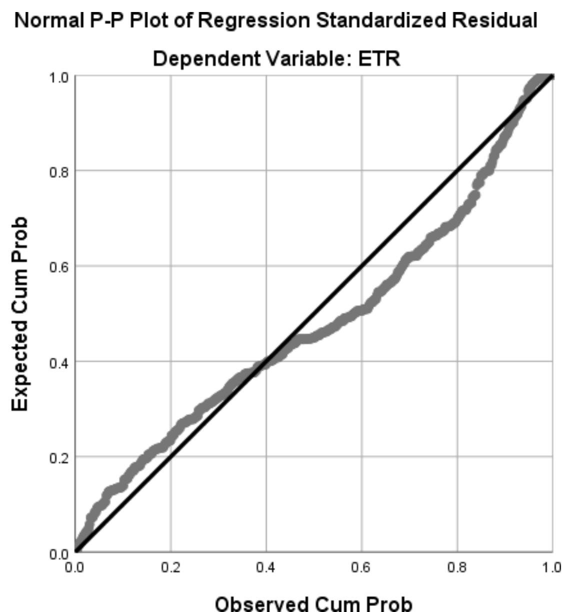
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Effective Tax rate (ETR)	545	.04	.84	.2949	.12407
Return on Assets (ROA)	546	-.03	.85	.0538	.05775
Debt to Equity Ratio (DER)	546	.08	10.28	1.1196	1.23939
Firm Size (SIZE)	546	11.80	19.68	14.7293	1.59938
Sales Growth (SG)	546	-.38	1.00	.0801	.17252
Capital Intensity (CI)	546	.01	.84	.3901	.19196
Current Ratio (CR)	546	.59	21.71	2.6420	2.43612
Valid N (listwise)	545				

9.2 Classic Assumption Test

Normality test results are carried out through detection by looking at the normal plot graph display. From the figure below, it can

be seen that the data spreads around the diagonal line and follows the direction of the diagonal line, and this indicates that the data and patterns are normally distributed and the regression model meets the assumption of normality.



Multicollinearity test results show that the tolerance value is more than 0.10 and the VIF value is less than 5, and it can be concluded that there is no multicollinearity between independent variables.

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(*Constant*)		
	Return on Asset (ROA)	.769	1.300
	Debt to Equity Ratio (DER)	.645	1.550
	Firm Size (SIZE)	.855	1.169
	Sales Growth (SG)	.973	1.027
	Capital Intensity (CI)	.671	1.491
	Current Ratio (CR)	.630	1.588
	ROA*PDKI	.732	1.365
	DER*PDKI	.650	1.538
	SIZE*PDKI	.482	2.075
	SG*PDKI	.936	1.068
	CI*PDKI	.494	2.025
	CR*PDKI	.768	1.302
a. Dependent Variable: ETR			

The results of the Heteroscedasticity Test using the Glejser test are as follows:

Model	(ABS_RES)	Glejser	Sig.
1	(Constant)		.009
	Return on assets	>0.05	.078

Debt to equity Ratio	>0.05	.084
Firm Size	>0.05	.571
Sales Growth	>0.05	.112
Capital Intensity	>0.05	.232
Current Ratio	>0.05	.662

The significance value of the return on assets, debt to equity ratio, firm size, sales growth, capital intensity and current ratio variables are all above 0.05. This shows no symptoms of heteroscedasticity.

The results of the Autocorrelation Test using Durbin Watson are as follows:

N	K	dL	dU	4 - du	4 - dl	DW	Finding
546	6	1.5000	1.8009	2.1991	2.5000	2.1140	There is no autocorrelation

Durbin Watson's value is 2.114 and the upper limit value is 1.8009. The dU value of 1.8009, was obtained because the value of n = 455 and k = 6, where k is the number of predictor variables (independent variables). Therefore the value of 4 – dU = (4 – 1.8009) > 2.1140 or 1.8009 < 2.1991 < (4 – 1.8009). The Durbin Watson value which is in the dU < DW < 4-dU region, means that there is neither positive autocorrelation nor negative autocorrelation.

9.3. Test Results of t Statistical Hypothesis

Partial hypothesis testing is used to test and see how the influence of each independent variable on the dependent variable. The t statistic test is used to determine how much influence the variables of return on assets, debt to equity ratio, firm size, sales growth, capital intensity and current ratio have on the effective tax rate which is a proxy for tax avoidance.

Coefficients[a]

		Unstandardized Coefficients		Standardized CoefficientsBeta		
Model		B	Std. Error		t	Sig.
1	(Constant)	.481	.050		9.705	.000
	ROA	-.497	.089	-.231	-5.611	.000
	DER	.022	.004	.218	4.852	.000
	SIZE	-.014	.003	-.185	-4.542	.000
	SG	-.067	.028	-.093	-2.425	.016
	CI	.114	.029	.176	3.910	.000
	CR	-.004	.002	-.084	-1.829	.068
	ROA*PDKI	-1.315	.226	-.245	-5.829	.000
	DER*PDKI	.069	.011	.279	6.230	.000
	SIZE*PDKI	-.008	.004	-.098	-1.797	.073
	SG*PDKI	-.119	.067	-.069	-1.771	.077
	CI*PDKI	.375	.072	.276	5.186	.000
	CR*PDKI	.000	.006	.003	.066	.948

Dependent Variable: ETR

In the following, the results of hypothesis testing for all independent variables on the dependent variable are presented, namely the effective tax rate to measure tax avoidance.

a. The calculated t value of return on assets shows a value of 5.611 which is greater than the t table value of 2.020. The p value of return on assets is 0.000 which is smaller than 0.05. This shows that return on assets has an influence on tax avoidance. The value of the regression coefficient (beta) is negative (0.497), meaning that every increase in the return on assets of one, will have an impact on decreasing the value of the effective tax rate of 0.497.
b. The calculated t value of the debt to equity ratio shows a value of 4.852 which is greater than the t table value of 2.020. The p value of the debt to equity ratio is 0.000, which is smaller than 0.05. This shows that the debt to equity ratio has a significant effect on tax avoidance. The value of the regression coefficient (beta) is positive (0.022), meaning that every increase in the debt to equity ratio of one will have an impact on an increase in the effective tax rate of 0.022.
c. The firm size t value shows a value of 4.542 which is greater than the t table value of 2.020. The p value of the firm size of 0.000 is smaller than 0.05. This shows that firm size has an influence on tax avoidance. The value of the regression coefficient (beta) is negative (0.014), meaning that every increase in firm size by one, will reduce the effective tax rate by 0.014. Berikut disampaikan hasil uji hipotesis semua variabel bebas terhadap variabel terikat yaitu *effective tax rate* untuk mengukur *tax avoidance*.
d. The t-value of sales growth shows a value of 2.425 which is greater than the t-table value of 2.020. The p value of sales growth is 0.016, which is smaller than 0.05. This shows that sales growth has an effect on tax avoidance. The value of the regression coefficient (beta) is negative (0.067), meaning that every increase in sales growth by one, will reduce the value of the effective tax rate by 0.067.
e. The t-count value of capital intensity shows a value of 3.910 which is greater than the t-table value of 2.020. The p value of the capital intensity of 0.000 is smaller than 0.05. This shows that capital intensity has an influence on tax avoidance. The value of the regression coefficient (beta) is positive (0.114), meaning that every increase in the capital intensity of one, will have an impact on the increase in the value of the effective tax rate of 0.114.
f. The t-count value of the current ratio variable is 1.829, which is smaller than the t-table of 2.020. The p value of the current ratio is 0.068, which is greater than 0.05. This shows that the current ratio has no effect on tax avoidance. The value of the regression coefficient (beta) is negative (0.004), meaning that every increase in the current ratio of one will have an impact on a decrease in the value of the effective tax rate of 0.004, assuming other variables are constant.
g. The t-count value of the ROA*PDKI variable is 5.829, which is greater than the t-table of 2.020. The p value is 0.004 which is smaller than 0.05. This shows that the proportion of independent commissioners (PDKI) is able to moderate the relationship of return on assets to tax avoidance. The negative value of the regression coefficient (beta) (1.315) indicates that each increase in the ROA*PDKI variable by one unit will reduce the value of the effective tax rate variable by 1.315 with the assumption that other variables are considered constant or constant.
h. The t-count value of the DER*PDKI variable is 6.230, which is greater than the t-table of 2.020. The p value is 0.000 which is smaller than 0.05. This shows that the proportion of independent commissioners is able to moderate the relationship between debt to equity ratio and tax avoidance. The positive value of the regression coefficient (beta) (0.069) means that every increase in the DER*PDKI variable by one unit, it will increase the value of the effective tax rate variable by 0.069 with the assumption that other variables are considered constant.
i. The t-count value of the SIZE*PDKI variable is 1.797, which is smaller than the t-table of 2.020. The p value is 0.073 which is greater than 0.05. This shows that the proportion of independent commissioners (PDKI) is not able to moderate the relationship between firm size (SIZE) and tax avoidance.
j. The t-count value of the SG*PDKI variable is 1.771, which is smaller than the t-table of 2.020. The p value is 0.077 which is greater than 0.05. This shows that the proportion of independent commissioners does not moderate the relationship between sales growth and tax avoidance.
k. The t-count value of the CI*PDKI variable is 5.186, which is greater than the t table of 2.020. The p value is 0.000 which is smaller than 0.05. This shows that the proportion of independent commissioners moderates the relationship between capital intensity and tax avoidance. A positive regression coefficient (beta) (0.375) indicates that for every one unit increase in the CI*PDKI variable, the effective tax rate variable will also increase by 0.375.
l. The t-count value of the CR*PDKI variable is 0.066 which is smaller than the t-table of 2.020. The p value is 0.948 which is greater than 0.05. This shows that the proportion of independent commissioners does not moderate the relationship between the current ratio and tax avoidance.

9.4. Multiple Linear Regression Equation (MRA)

$$ETR = 0.481 - 0.497ROA + 0.022DER - 0.014SIZE - 0.067SG + 0.114CI - 0{,}004CR$$

– 1,315(ROA*PDKI) + 0,069(DER*PDKI) – 0.008(SIZE*PDKI) - 0,119(SG*PDKI) +0,375(CI*PDKI) -0,000(CR*PDKI)+ e

9.5. Coefficient of Determination Test Results

Model Summary[b]

Model	R	R Square	Adjusted RSquare	Std. Error of the Estimate	Durbin-Watson
1	.724[a]	.616	.512	.10997	1.641

a. Predictors: (Constant), Return on Asset, Debt to Equity Ratio, Firm Size, Sales Growth, CapitalIntensity, Current Ratio

b. Dependent Variable: ETR

The adjusted R square value is 0.512, meaning: all independent variables (Return on Assets, Debt to Equity Ratio, Firm Size, Sales Growth, Capital intensity Ratio, Current Ratio) affect tax avoidance by 51.2%, while the remaining 48.8 % is influenced by other variables, such as corporate executive behavior, tax rates, weak law enforcement, multi-interpretation tax regulations and others.

9.6. Test Results of F - Model Feasibility-Goodness of Fit

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.885	6	.314	26.056	.000[b]
	Residual	6.474	540	.012		
	Total	8.358	546			

a. a. Dependent Variable: Effective Tax Rate

b. Predictors: (Constant), *Return on Asset, Debt to Equity Ratio, Firm Size, Sales Growth, CapitalIntensity, Current Ratio*

The significance value is still less than 0.05, which means that the research model and the use of Return on Assets, Debt to Equity Ratio, Firm Size, Sales Growth, Capital intensity Ratio, and Current Ratio variables are appropriate and appropriate to be used to see their effect on tax avoidance.

10. DISCUSSION RESULTS OF RESEARCH

10.1. The Return on Assets variable has a negative effect on Tax avoidance

Taxpayers who earn high returns on assets will try to reduce the tax burden by looking for legal loopholes in tax laws and tax regulations that benefit Taxpayers. If the value of return on assets increases, it means that the higher the profitability, the value of the effective tax rate decreases, resulting in an increase in tax avoidance activities.

By obtaining high profits, the company has the opportunity to do tax planning by minimizing year-end tax payments. Companies engaged in the manufacturing industry certainly want a high rate of return, in line with increasing investment invested in the development of the industry, resulting in an increase in aggressive behavior in tax planning and tax avoidance, ultimately reducing the tax burden. This finding is in line with research (Noor et al., 2010), (Richardson & Lanis, 2007). With the return on assets obtained, the value of the effective tax rate will decrease and the practice of tax avoidance will be higher.

The ability to generate high profits is reflected in the high return on assets. High profits result in higher taxes and higher tax avoidance practices. Meanwhile, for companies whose return on assets value decreases, it means that the level of ability to create profits decreases, the value of the effective tax rate will increase and the practice of tax avoidance will decrease. The practice of tax avoidance involves risks and generally management will minimize the risks from these activities. As long as it is within reasonable limits and regulated in tax laws and regulations, the risks that may occur can be controlled, such as interest penalties and increase penalties.

Most of the tax avoidance activities are carried out by manufacturing companies and this has become a concern of the government for the past few years. (Dyreng et al., 2008) suggests tax avoidance has an influence on tax payment obligations, and with good tax planning, tax aggressiveness measures for the purpose of reducing the tax burden will be more successful. Furthermore, Agus Martowardojo stated that there are 4,000 multinational companies that do not carry out their tax obligations properly and have not even paid taxes for several years (www.pajak.go.id). This shows that the practice of tax avoidance in Indonesia is mostly carried out by large-scale companies.

By exploiting the weaknesses of existing tax regulations, without breaking the law, companies can reduce their tax

burden. Tax avoidance activities carried out by companies are acts of transferring government assets into company assets with the intention of making a profit, profit after tax becomes large. Generally, tax avoidance activities are carried out by reducing the tax burden through the use of existing tax regulatory loopholes, which are still allowed with the aim of increasing the company's profits and financial operational performance. Improved performance is the main goal of the company, can be achieved by the implementation and supervision of management and has an impact on the value of the company.

Researchers (Pollock et al., 2010) say that the practice of tax avoidance requires substantial costs, such as costs for conflicts of interest between management and company owners, acting for their own interests by ignoring the interests of other parties in the company.

10.2. The variable independent commissioners is able to moderate the relationship between return on assets and tax avoidance.

The existence of independent commissioners will increase supervision of management performance, but has not been able to suppress the tendency of companies to conduct TA.

Supervision prioritizes solving agency theory problems rather than implementing stakeholder theory of corporations in a sustainable manner. Independent commissioners are able to moderate the relationship between return on assets and tax avoidance.

This can happen because one of the characteristics of independent commissioners has the freedom to know the amount of profit earned by the company in the current year and the content of the profit. With its role in carrying out the supervisory function, the proportion of independent commissioners can influence the management in preparing financial reports, so that a quality profit report can be obtained. With the increasing number of independent commissioners, the supervision of financial statements will be more stringent and objective, so that fraud committed by managers to manipulate earnings can be avoided. Companies that have a high return on assets have the opportunity to position themselves in tax planning which reduces the total burden of tax obligations (Chen et al., 2010). With the role of independent commissioners can reduce the occurrence of tax evasion fraud. The role of independent commissioners strengthens the negative effect of return on assets on tax avoidance.

Independent commissioners as moderators are able to strengthen the relationship with tax avoidance. If the value of the PDKI*ROA variable is higher, the value of the effective tax rate will be lower because tax avoidance activities are higher. The greater the number of independent commissioners in the company, the stronger the relationship between return on assets and tax avoidance. Manufacturing companies listed on the Indonesian stock exchange have varying numbers of independent commissioners. With the large number of independent commissioners, it is hoped that the independence, transparency and accountability of the company will be maintained and tax avoidance practices can be controlled. The company's profitability can affect tax avoidance actions taken by the company.

The results of testing the first alternative hypothesis indicate that there is a significant effect between return on assets on tax avoidance when moderated by the proportion of independent commissioners with a t-count value smaller than t-table. The magnitude of the return on assets will affect the value of the effective tax rate when moderated by the proportion of independent commissioners. Effective tax rate is one way to measure tax avoidance activity. If the return on assets is higher, the value of the effective tax rate will be lower because tax avoidance activities are higher. The higher the return on assets, the higher the profitability of the company. Companies that have high profitability have the opportunity to carry out careful tax planning so that companies can minimize tax payments. In this study, it was found that the proportion of independent commissioners can strengthen the effect of return on assets on corporate tax avoidance.

This research is in line with the opinion of (Ariawan & Setiawan, 2017) who say that return on assets has a significant negative effect on tax avoidance. The higher the return on assets or the level of profitability, the value of the effective tax rate decreases and the practice of tax avoidance becomes higher.

10.3. The variable debt to equity ratio has a positive influence on tax avoidance

The use of debt as a means of financing is expected to increase operating income which is greater than the increase in operating expenses, have an impact on increasing the value of the effective tax rate, and decreasing tax avoidance activities. By increasing the amount of debt, it will increase the interest expense on loans and operating expenses, but the amount of taxes paid increases, in the end tax avoidance decreases.

The higher the value of the debt to equity ratio, the higher the effective tax rate, and in the end the practice of tax avoidance will decrease. The company does this by increasing the number of loans, which will have an impact on the higher interest expense and in the end the tax burden will decrease. With the increasing amount of debt, the company is expected to receive tax incentives in the form of higher loan interest expenses and in the end the taxable income will decrease and the tax burden will also decrease.

Tax saving measures are usually carried out by companies that have a high tax burden, and the method taken is to increase the amount of debt, because the interest expense on loans can be financed in accordance with applicable regulations, the maximum proportion of debt and capital does not exceed 4 to 1. Companies carry out tax avoidance by take advantage of tax incentives from charging interest on these loans.

These findings are in accordance with research (Ariawan & Setiawan, 2017), (Rahmadi et al., 2020), (Sinaga & Suardikha, 2019), (Aisah & Mandala, 2016), and (Wijayanti et al., 2016), finding variable debt to equity ratio has an effect on tax avoidance.

Usually, manufacturing companies that have a high debt to equity ratio try to take advantage of the high loan interest expense as a deduction from net income. Manufacturing companies that have a high level of leverage must be able to maintain high operating income and net income in order to cover the growing debt interest expense.

10.4 The variable of independent commissioners is able to moderate the relationship between debt to equity ratio and tax avoidance

Independent commissioners have duties and are responsible for monitoring the quality of information contained in the financial statements. Earnings management practices carried out by company management such as increasing the debt to equity ratio have an impact on decreasing investor confidence, not in accordance with organizational legitimacy theory and planned behavior theory. Optimal supervision from independent commissioners on sources of funding or the company's capital structure can moderate the relationship between debt to equity ratio and tax avoidance.

This is important because there is an interest from management to carry out earnings management practices which will have an impact on decreasing investor confidence. To overcome this, the board of commissioners is allowed to have access to company information. The Independent Commissioner has the authority to oversee the operations of the company, therefore the board of directors has the obligation to submit information related to the company's finances and operations to the board of commissioners and ensure that the reports submitted are fair and true in accordance with actual conditions.

The results of the regression test found that independent commissioners were able to strengthen the relationship between leverage and tax avoidance. The higher the value of the variable debt to equity ratio * the proportion of the board of commissioners, the value of the effective tax rate will increase, but the activity of corporate tax avoidance will decrease. Manufacturing companies usually take advantage of the amount of debt to minimize their tax burden and even tend to lead to tax avoidance practices. Because with a large amount of debt, the company will get a tax incentive in the form of a discount on the interest expense on the loan. Companies that have a high tax burden can make tax savings by adding debt, because debt interest expenses can be financed in accordance with applicable regulations, the maximum proportion of debt and capital does not exceed 4 to 1. The company avoids tax by taking advantage of tax incentives from charging interest on the loan.

According to (Ariawan & Setiawan, 2017) who stated that the debt to equity ratio or leverage ratio had a significant positive effect on tax avoidance. It was also found that there was a relationship between debt to equity ratio and tax avoidance when moderated by the proportion of independent commissioners. This shows that the higher the value of the debt to equity ratio, the greater the value of the effective tax rate as a result, the level of tax avoidance decreases. The higher the proportion of debt in the company's capital structure, the riskier it will be because the interest expense will increase, and the amount of taxes owed and paid will decrease. Debt to equity ratio has an effect on the level of tax avoidance. Companies that have a high debt-to-equity ratio will take advantage of the loan interest expense as a deduction from net income. Companies with a high level of leverage must be able to maintain high operating income and net profit so as to cover the growing interest expense on loans.

10.5. Firm size variable has a negative effect on the practice of tax avoidance

Companies with large assets are easier to practice tax avoidance, because they have the opportunity to increase operating income, reduce operating costs and control tax burdens, which is not in line with planned behavior theory. Companies that have large assets will be able to produce with maximum capacity, with minimum operating costs. the tax burden will decrease, the value of the effective tax rate will decrease and the practice of tax avoidance will increase. The higher the firm size value, the lower the effective tax rate will be and tax avoidance activities will increase.

The greater the value of total assets owned by the company will have an impact on increasing tax avoidance activities. This is due to the greater the total assets of the company, the greater the opportunity for the company to increase operating income. With greater business income, it will increase the amount of income tax payable at the end of the year, and the greater the amount of tax that must be paid.

Another benefit obtained by companies having large total assets is having the opportunity to earn large profits compared to small companies because they can utilize their asset resources to create added value, operate efficiently and effectively. The larger the firm size, the more varied, numerous and complex transactions will be carried out, so that the management time to think

about tax avoidance practices increases by taking advantage of loopholes in the existing tax laws.

In addition, companies with large total assets are generally better able to increase revenue and net profit, when compared to companies with relatively small total assets. With large profits obtained continuously will encourage business entities to practice tax avoidance. This study is in accordance with the results of research (Maula et al., 2019), (Kalil, 2019), and (Ardana et al., 2017), finding firm size variables have an influence on tax avoidance practices.

10.6. The variable of independent commissioners does not moderate the relationship between firm size and tax avoidance

Independent Commissioners are members of the board of commissioners who come from outside the company and are not affiliated with the controlling shareholders, other members of the board of directors and commissioners. Even though the company has large assets, the role of independent commissioners to control tax avoidance practices has not gone well, not in accordance with organizational legitimacy theory. The proportion of independent commissioners has not been able to moderate firm size with tax avoidance.

Agency theory states that the higher the proportion of independent commissioners in the company, the better the supervision of the company, especially the supervision of the actions of the directors and their subordinates in carrying out daily activities that can harm other parties. The larger the proportion of Independent Commissioners cannot increase the performance and wealth of shareholders.

The basis for calculating the amount of tax payable is from net income before tax, not from total assets owned. Net profit is influenced by the amount of operating income and the amount of operating expenses that can be charged according to the applicable tax rules. Companies with large assets have the opportunity to earn large revenues and profits compared to small companies because they can utilize their resources to create added value, operate efficiently and effectively. The larger the size of the company, the more complex the transactions will be and the management time to think about tax avoidance practices is reduced and they do not have time to take advantage of existing loopholes to take tax avoidance actions from each financial transaction. The results of the study are consistent with the results of research conducted by (Wijayanti et al., 2016).

10.7 Sales growth variable has a significant negative effect on tax avoidance

Sales growth has a very strategic impact on the company's development in the future. However, high sales growth does not have an impact on increasing profits, so the value of the effective tax rate decreases, and tax avoidance practices increase. The higher the sales growth, the lower the value of the effective tax rate and the activity of tax avoidance will increase.

With increased sales will increase income and operating profit will also increase. In order for sales growth to be achieved, the company must properly optimize all available resources effectively and efficiently. By knowing the level of sales growth, the company can predict the amount of gross profit and operating income that will be obtained. With sales growth, it is expected that there will be a large increase in net income before tax, as a result, tax avoidance practices will increase.

This finding, supported by research (Hidajat, 2018), (Higgins et al., 2011), (Putra et al., 2017), found that the sales growth variable has an influence on the effective tax rate, indicated by an increase in tax avoidance activity. With greater sales growth, it is likely that operating profit will increase, and the effective tax rate will decrease and tax avoidance practices will increase.

10.8 The variable of independent commissioners does not moderate the relationship between sales growth and tax avoidance

Independent commissioner supervision can reduce agency problems that arise such as the opportunistic attitude of company management towards sales growth and reducing the tax burden. The company's management will be more careful in making decisions and will run the business more transparently, but TA activities are not affected. Independent commissioners are unable to moderate the relationship between sales growth and tax avoidance.

With stronger supervision from independent commissioners, the impact on tax avoidance can be minimized. The presence of independent commissioners is important for the company, to monitor the behavior or attitudes and decisions of management in carrying out and complying with applicable government regulations and taking into account the interests of other stakeholders. Therefore, independent commissioners must be able to monitor the attitudes, behavior, decisions and actions of management so as not to take actions that can threaten the legitimacy of the company, such as tax avoidance activities. This study supports the research conducted by (Lanis & Richardson, 2012) which found that independent commissioners were able to reduce tax avoidance. Companies that do tax avoidance are considered socially irresponsible and contrary to the principles of justice that apply to taxpayers.

The purpose of tax avoidance is to minimize the company's tax burden, where companies with significant sales growth are more interested in doing tax avoidance than companies whose sales are stagnant or even declining. For manufacturing companies who want to maintain their reputation and corporate image, the choice is to comply with applicable tax rules and

will benefit from the costs and risks of shortfall penalties or delays in paying taxes can be avoided. Variable The proportion of independent commissioners is unable to moderate sales growth on tax avoidance practices, because the higher the value of the SG*PDKI variable, the company's tax avoidance activity does not increase, due to the increased supervision performance of independent commissioners on company management. In addition, sales growth will not automatically increase profits to encourage management to practice tax avoidance. The supervision of independent commissioners is able to suppress tax avoidance practices. This research has succeeded in proving that the proportion of independent commissioners does not moderate the relationship between sales growth and tax avoidance.

10.9 Capital intensity variable has a positive effect on tax avoidance

The capital intensity ratio is used to determine how much the company invests in fixed assets. The higher the company invests in fixed assets, the depreciation expense will increase, and operating profit will decrease, but the value of the effective tax rate will increase, and tax avoidance practices will decrease. The higher the capital intensity ratio, the value of the effective tax rate will increase and the practice of TA will decrease.

The capital intensity ratio is used to determine how much the company is willing and able to invest in fixed assets. The higher the investment in fixed assets, the depreciation expense will increase, and operating income will decrease. In the end, the tax expense will also decrease. By increasing the capital intensity ratio, the value of the effective tax rate will decrease and tax avoidance activities will increase.

This finding is supported by research (Rahmadi et al., 2020), (Chiou et al., 2012), and (Wijayanti et al., 2016), which state that the capital intensity ratio has a significant effect on tax avoidance. This arises due to the increase in depreciation expense, which results in greater operational expenses. In the end, the net profit obtained is getting smaller, then the tax expense will decrease and the practice of tax avoidance will increase.

The tax avoidance practice carried out by the company is to take advantage of the weaknesses of existing tax regulations, without violating the law. The main benefit of this activity is to transfer government/state assets to be owned by companies/taxpayers with the aim of increasing company value according to the evaluation of investors. Tax avoidance activities by reducing tax expense without violating the law will increase net income and financial and operational performance will be boosted up.

10.10. The variable proportion of independent commissioners is able to moderate the relationship between capital intensity ratio and tax avoidance

The existence of independent commissioners is very important in the company. Companies that take advantage of the use of fixed assets to minimize the tax burden will face obstacles. The larger the number of fixed assets, the higher the depreciation expense and operating expenses. Supervision by KI will increase the value of ETR and TA practices will decrease. The Independent Commissioner is able to moderate the relationship between the capital intensity ratio and the practice of tax avoidance.

The existence of independent commissioners is very important in the company to prevent companies from practicing tax avoidance, the more independent commissioners in the company, the more guarding the management performance related to reporting the tax burden is carried out properly, so that the practice of tax avoidance can be minimized. The higher the proportion of independent commissioners, the higher the tax avoidance, but the lower the proportion of independent commissioners, the lower the tax avoidance.

The amount of funds invested in the company's fixed assets is measured using the ratio of fixed assets divided by total assets (Defond & Hung, 2004). The company is allowed to depreciate property, plant and equipment in accordance with the estimated useful life at company policy, while in taxation preferences fixed assets have a certain useful life which is generally faster than the useful life predicted by the company. As a result, a faster useful life of fixed assets will increase the company's effective tax rate and decrease tax avoidance practices with the supervision of an independent commissioner. The proportion of independent commissioners strengthens the relationship between capital intensity and tax avoidance.

Research (Wijayanti et al., 2016) which states that the effect of capital intensity on tax avoidance is because the depreciation expense of the assets owned by the company is greater, resulting in a large company burden as well. Because of this, the profit earned is getting smaller, so that it has an impact on small taxable income as well. The greater the proportion of independent commissioners in the company, the greater the influence will encourage management not to practice tax avoidance and pay taxes as they should. Independent commissioners will report the amount of tax payable in accordance with the level of profit earned by the company. The results of this study are consistent with the results of previous studies including those conducted by (Ratmono & Sagala, 2015) which stated that capital intensity had an effect on tax avoidance.

10.11. The current ratio variable has no effect on tax avoidance

The findings of this study are the current ratio variable has no effect on tax avoidance. The high or low value of the current ratio will not affect the practice of tax avoidance. The tool to measure the level of financial liquidity of the company is to calculate the value of the current ratio, reflecting the company's ability to meet short-term obligations as they mature. For most companies, the success of managing liquidity is one of the achievements of management performance.

The company's inability to meet its short-term obligations will have a major impact on the company's business sustainability. One way to measure a company's liquidity level is its ability to pay off all tax obligations when they fall due. According to (Chava et al., 2013), liquidity is the company's ability to generate cash in the short term to meet its obligations. According to (Brigham & Houston, 2010), liquidity is a ratio that shows the relationship between cash and other current assets of a company with its current liabilities.

Evidently, the current ratio variable has no effect on tax avoidance. There is no influence between the current ratio and tax avoidance, due to the level of liquidity of manufacturing companies whose value is relatively the same among other manufacturing companies. A high current ratio value indicates that there is excessive amount of idle money, so it is considered less productive. On the other hand, if the current ratio is low, it will reduce the credibility of the company from creditors, in the view of creditors, the company will have difficulty paying its short-term obligations when they fall due, and in the end, the loan capital from creditors will decrease. Therefore, it is possible for manufacturing companies to maintain their liquidity ratios so that liquidity is not used as a tool for tax avoidance. This finding is in accordance with research (Rozak et al., 2019), and (Agustina, 2016) which found that liquidity had no effect on tax avoidance practices.

10.12. The variable of independent commissioners does not moderate the relationship between current ratio and tax avoidance

This test finds that the proportion of Independent commissioners is unable to moderate (strengthen or weaken) the effect of the current ratio on Tax Avoidance. Companies that have a high current ratio do not have the desire to practice tax avoidance by reducing the amount of burden or delaying tax payments. The company's high liquidity does not guarantee a decline in tax avoidance practices, even though the number of independent commissioners is increasing. This can happen because the amount owed is determined by the amount of taxable income and not from the ability to pay the taxpayer. Likewise, the proportion of independent commissioners does not directly affect the practice of tax avoidance. Liquid companies will pay taxes in the right amount and time because they have the ability to pay tax debts when they are due, plus there is supervision from an independent commissioner. Companies with high levels of liquidity will not delay tax payments when they are due and the role of independent commissioners is not seen in this study. Independent commissioner as a moderating variable is not able to moderate the relationship between current ratio and tax avoidance.

(Lanis & Richardson, 2012) state that corporate taxes can only be associated with social responsibility if the tax payments made by the company do have implications for the wider community. If the payment of corporate income tax is simply considered a business transaction and one of the company's expenses, perhaps the goal of the company is to minimize the amount of tax owed as much as possible. Furthermore, (Lanis & Richardson, 2012) argue that in paying corporate taxes there are several considerations, ethics, morals, from the community and other stakeholders, the company should not wish to minimize taxes both legally and illegally as a manifestation that the company is responsible for Public.

11. CONCLUSIONS, RESEARCH LIMITATIONS, AND SUGGESTIONS

11.1 Conclusion

Tax avoidance that occurs due to the lack of a humanistic approach, as referred to in organizational legitimacy theory, planned behavior theory, stakeholder theory of corporation and agency theory. Basically, humans prefer to get rewards and avoid punishment. Tax policy provides more rewards than punishment. In addition, the theological approach for company executives is not carried out and considers the practice of tax avoidance is still reasonable and innocent.

The variables ROA, DER, firm size, capital intensity ratio and sales growth have an effect on TA. While the current ratio has not had an effect on TA. The variable proportion of independent commissioners is able to moderate the relationship between ROA, DER, and CIR to TA. Meanwhile, the proportion of independent commissioners is not proven to moderate the relationship between firm size, sales growth and current ratio to TA.

11.2 Research Limitations

1. This research is limited to manufacturing companies listed on the IDX (Basic & Chemical Industry, Various Industries, and Consumer Goods Industry)
2. The results of this study cannot be used in financial service companies / banking (finance), mining companies (mining),

construction companies (infrastructure), agriculture (agriculture) because they have their own tax regulations (special).

11.3 Suggestions

1. Suggestions refer to the research results: The formulation of tax policy in addition to using the existing approach, is expected to accommodate humanistic and theological approaches.
2. Suggestions for the government: The implementation of tax policy must be accompanied by tax law enforcement so that taxpayers can feel fairness and legal certainty.
3. Suggestions for operations for the Directorate General of Taxes: Tax supervision, especially in the field of monitoring and evaluation, is strengthened
4. Suggestions for further research: Focus on tax avoidance behaviour with a humanistic and theological approach

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