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The Effect of Capital Intensity, Corporate Social Responsibility, and Profitability on Tax Avoidance

(In Manufacturing Companies Industry of Food & Beverage Sub Sectors Listed on Indonesia Stock Exchange 2015-2020)

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ABSTRACT

The main objective of this study is to determine the relationship between the variables of capital intensity, corporate social responsibility, and profitability on tax avoidance by manufacturing companies in the food & beverage sub-sector listed on the Indonesia Stock Exchange 2015-2020. This study has an overall sample of 96 food & beverage industry manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2015-2020 period with predetermined criteria. The sample was selected using purposive sampling method and the analysis technique used panel data regression with the Eviews-9 program. The independent variables of this study are capital intensity, corporate social responsibility, and profitability using ROA measurement. While the dependent variable in this study is tax avoidance which is measured using ETR. The results of this study indicate that several variables of capital intensity have a positive effect on tax avoidance. Corporate social responsibility has a negative effect on tax avoidance. Then, Return on Assets, as a proxy for measuring profitability, has no significant effect on tax avoidance.

Keywords: Tax Avoidance, Capital Intensity, Corporate Social Responsibility, and Profitability

INTRODUCTION

Indonesia is a very large country, in terms of size and population. Indonesia has a land area of 1,919,440 km² and a sea area of 3,273,810 km² and has more than 268 million inhabitants (Source: travel.detik.com). This requires a lot of money to make national development successful. One of the largest sources of income in Indonesia is from the taxation sector. Taxes have a critical role in national growth. Taxes are used to pay for a variety of government services. People are required by law to pay taxes to the state. Taxes are "obligatory contributions to the state owed by private persons or businesses that are compelled by the Law, without direct reciprocity, and are utilized for state necessities for the best prosperity of the people," according to Law No. 16 of 2009. According to (Lanis & Richardson, 2012), taxes should be used to fund public infrastructure or assets from a social standpoint.

Taxes are a source of income to raise funds for government administration, but from the company's perspective, taxation is one of the cost components that reduce corporate profits. The high tax burden has prompted many companies to try tax management to reduce taxes paid. Tax avoidance practices that occur have caused Indonesia to lose a large amount of tax revenue. According to data from the Tax Justice Network due to tax avoidance, Indonesia is estimated to experience losses of up to US $ 4.86 billion per year. This figure is equivalent to IDR 68.7 trillion, from that figure, as much as US $ 4.78 billion, equivalent to IDR 67.6 trillion, which is the result of tax avoidance by companies in Indonesia. Therefore, tax avoidance is one way for companies to reduce tax payments to the state treasury (Kurniasih & Sari, 2013) Companies take advantage of loopholes in tax regulations as a legal action in tax avoidance to reduce the tax burden owed (Pohan, 2016).

Tax avoidance is an attempt to decrease or optimize the tax burden that is frequently borne by companies, even though it is still protected under appropriate tax regulations. Despite the fact that

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this action is legal, the government does not support tax avoidance. Tax avoidance by businesses is frequently the result of policies implemented by the company's executives, rather than an accident (Budiman & Setiyono, 2012). This is in line with (Khurana & Moser, 2009), who argue that the management firm engages in tax avoidance actions in order to reduce the company's tax liability. Certain corporations engage in tax avoidance as a result of measures implemented by company executives. Where the leaders have distinct personalities. The amount of the company's risk reflects whether the company's management are risk takers or risk averse (Dewi & Jati, 2014).

There are many factors that affect tax avoidance, including the level of capital intensity, profit level, social level, and debt level. The capital intensity of a corporation (Dharma & Noviari, 2017) refers to how much of its assets are invested in fixed assets and inventory. The profit level is one of the performance indicators used by corporate management to manage the wealth of the company, and it is defined as the profit that can be made over a given period of time at the societal level (Huseynov & Klamm, 2012), topics like as corporate and social responsibility, diversity, and tax avoidance are discussed. The amount of debt indicates that debt is used to fund the company's operations (Kurniasih & Sari, 2013). The amount of debt must demonstrate how much of the company's debt is used to finance assets (Oktagiani, 2015). The debt level is the total debt used to buy company assets.

Previous research trying to connect to capital intensity on tax avoidance has been conducted among others (Muzakki & Darsono, 2015) and (Budianti & Curry, 2018) who found that capital intensity has a negative effect on tax avoidance. Meanwhile, (Irianto, Sudibyo, & Wafirli, 2017) found that capital intensity has a positive effect on tax avoidance. Research related to the company's financial status with tax avoidance, including the company's profitability. Previous research trying to connect the company's financial status with tax avoidance, including the company's profitability. Profitability is a company's ability to earn profits, research conducted (Goh, Nainggolan, & Sagala, 2019) proves that high profitability will increasingly reveal its tax obligations. (Kurniasih & Sari, 2013) profitability describes the financial performance of a company in managing its assets, namely return on assets. (ROA) which is expected to affect tax avoidance. According (Lanis & Richardson, 2015) corporate social responsibility is related to tax avoidance. (Lanis & Richardson, 2015) corporate social responsibility is the responsibility of all activities to stakeholders, and taxation is the responsibility of the government to stakeholders. Therefore, companies that do tax avoidance are socially irresponsible companies, that the company's decision to avoid taxes is also influenced by corporate social responsibility (Ningrum, Suprapti, & Hidayat Anwar, 2018). The results of a study conducted by (González, Ferrero, & Meca, 2019) argue that CSR has a negative effect on tax avoidance. The findings above are different from the findings (Zeng, 2018) that CSR and tax avoidance have a positive effect.

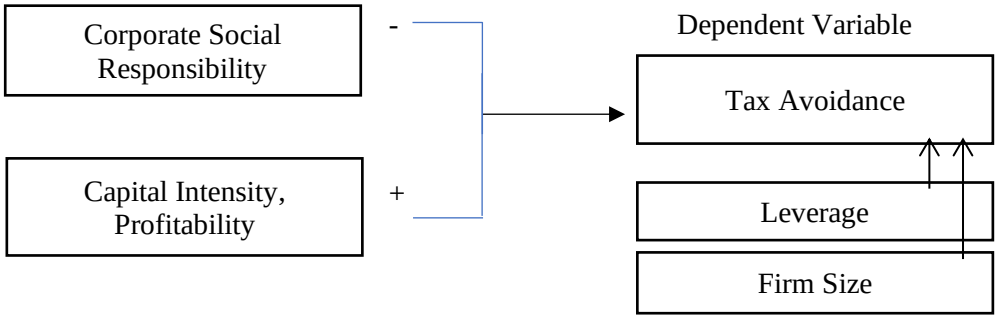
This study is different from previous research, the sample used is manufacturing companies in the food and beverage sub-industry which are listed on the Indonesia Stock Exchange between 2015 – 2020. Researchers chose the food and beverage sub-industry as a company that cannot be separated from human life. For humans, especially companies engaged in the food and beverage sub-industry, the company remains the main place for potential investors to invest. This research is also motivated by wanting to know whether manufacturing companies in the food and beverage sub-industry are tax avoidance companies or not, because food and beverage companies have a fairly high market share making it possible to earn large corporate profits, thus the tax burden found by companies is high.

THEORITICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

This study's framework is based on theory and previous research, and the relations through the independent research variables and the dependent variable is explained. (Jensen & Meckling, 1976) The interaction between managers and owners is explained by the agency theory discussed in this paper. According to agency theory, owners want more income from taxes, while managers want to minimize taxes to gain profits and take advantage of leverage (Irianto et al., 2017). Tax avoidance is one of the company's techniques for lowering the tax burden and achieving big profits. Therefore, in a company it is necessary to have corporate governance to supervise the company in order to minimize the taxes it will pay as not to violate applicable laws.

(Dowling & Pfeffer, 1975) believe that corporate legitimacy theory always tries to build a balance between corporate values and social norms in the surrounding social environment, and companies are part of the social environment. This is done to gain community legitimacy. (Ghozali & Chariri, 2007) stated that company activities are not only for the benefit of company owners who are influenced by company activities. Paying taxes in line with applicable laws and regulations is one way to obtain community legitimacy. If this is not done, it can hurt numerous parties or other people. The framework for this research is as follows.

Figure 1.
Research Framework



The Effect of Capital Intensity on Tax Avoidance

The capital intensity of a corporation relates to the amount of money it invests in fixed assets. Companies that are capital intensive have more chances for tax avoidance tactics than other companies. According to (Kraft, 2014), companies with more capital have more opportunities for tax planning and other corporate tax avoidance tactics. Managers' personal interests are fulfilled, according to agency theory, by achieving maximum performance compensation in order to reduce the company's tax burden and boost profits. The deduction of the company's tax expense paid will depreciate the fixed assets and be charged as a profit deduction. This demonstrates that corporations with a lot of fixed assets, the effective tax rate paid tends to be low (Ardyansah & Zulaikha, 2014).

Capital intensity and tax avoidance have a positive relationship., according to research by (Irianto et al., 2017) and ((Dharma & Noviari, 2017). This suggests that the higher the capital intensity, the increased the probability of tax avoidance.

H1: The level of capital intensity has a positive effect on tax avoidance.

The Effect of Corporate Social Responsibility on Tax Avoidance

(Dowling & Pfeffer, 1975) stated that in legitimacy theory, companies always try to create harmony between company values and social norms in the surrounding social environment, where the company is part of the social environment. This is done to get legitimacy from the community. One of the efforts to gain legitimacy from the community is by paying taxes in accordance with applicable regulations and not engaging in tax avoidance activities that can harm many parties. In accordance with the triple bottom line concept, companies must be able to maintain a balance. Economic performance is achieved through profit, environmental performance that pays attention to the surrounding natural environment, and social performance that cares for the community.

While most research that find a negative link through corporate social responsibility and tax avoidance employ a broader measure and a bigger sample size than studies that find a positive link, those that find a positive link use a narrower measure and a smaller sample size. According to research by (Lanis & Richardson, 2012) and (Hoi, Wu, & Zhang, 2013), there is a negative relation through corporate social responsibility and tax avoidance. Furthermore, CSR shows that companies with an implicitly responsible corporate culture are less likely to engage in corporate tax avoidance. Based on this description, the following is the research hypothesis.

H2: The level of corporate social responsibility has a negative effect on tax avoidance.

The Effect of Profitability on Tax Avoidance

Return on Assets (ROA) is one calculation of a company's profitability. The higher the return on assets, the bigger the earnings of the company. As a company's profit scale rises, does the firm's tax burden, hence it's likely that the company would seek tax avoidance measures to avoid an increase in tax burden. According to agency theory, managers will aim to control the companies tax burden that the tax burden does not affect the company's profit, lowering the agent's performance incentive. Companies are able to effectively manage their assets that they can take advantage of tax breaks and other tax benefits, giving the impression that they are avoiding taxes.

According to related research (Darmawan & Sukartha, 2014), ROA has a positive impact on tax avoidance. Similar findings from study (Kurniasih & Sari, 2013) suggest that ROA has a positive impact on tax avoidance. The following is the research hypothesis based on this description.

H3: Profitability has a positive effect on tax avoidance.

RESEARCH METHODOLOGY

Research Design

This study employed a descriptive research design, which is a sort of research with problem features in the form of a causal link between three variables. The impact of the independent and control variables on the dependent variable is described using these variables. The goal of this study is to report the test results based on the premise that the independent variable and the control variable have a substantial impact on the dependent variable. In this study, the independent variables are capital intensity, corporate social responsibility, and profitability. In this study, the variable controls are leverage and company size. Meanwhile, the dependent variable under investigation was tax avoidance.

Dependent Variable

A dependent variable is a variable that can be defined by either the independent or dependent variables. The study's dependent variable is tax avoidance. Tax avoidance is the activity of a company lowering or minimizing its tax burden.

Companies regularly engage in tax avoidance to decrease their tax burden because they are still within the framework of the applicable taxation rules. The Effective Tax Rate (ETR) ratio, which is based on research (González et al., 2019), is used to calculate tax avoidance in this study. ETR describes the percentage or ratio between the company's income tax expense that must be paid to the government from the company's total income before tax. According to (Dyreng et al., 2017) that ETR can capture all forms of tax deduction through tax amnesty and legal loopholes. On the other hand, ETR is able to detect tax avoidance that comes from the impact of temporary differences (Hanlon & Heitzman, 2010). The ETR calculation formula is as follows:

$$ETR_{it} = \frac{TotalTaxesExpenses_{it}}{Pre-taxIncome_{it}}$$

Independent Variable

The variable that impacts the dependent variable is called an independent variable. The independent variables in this study include intensity capital, corporate social responsibility (CSR), and profitability.

Capital Intensity

Capital intensity refers to the number of company capital invested in the company's fixed assets, because almost all of the company's fixed assets have been depreciated. Depreciation expense can be a deduction from profit and become an expense that may be charged. This definition is contained in the income tax law No. 36 of 2008 article 6. In (Irianto et al., 2017) capital intensity can be measured by the following formula:

$$CI = \frac{Fixed\ Assets}{Total\ Assets}$$

Corporate Social Responsibility

In this study, corporate social responsibility is expressed by using CSR disclosure or CSR disclosure ratios. This study uses the CSR disclosure indicators published by the Global Reporting Initiative, which are available on the website www.globalreporting.org. GRI is an institution that aims to encourage the development of standards by providing direction for companies to publish sustainability reports on corporate social responsibility.

The indicators developed by GRI have overall coverage and specific areas, and are commonly used to report on a company's sustainable performance. In this study, the GRI-G4 standard was used. The GRI-G4 standard divides performance indicators into three categories: economic, environmental, and social. These categories include labor practices and workplace comfort, human rights, social society, and product responsibility. There are a number of indicators in each dimension, totaling 91 indicators.

$$\boldsymbol{CSRDi} = \frac{\sum \mathbf{X}_{\boldsymbol{i}}}{\boldsymbol{n}}$$

Profitability

Profitability is a metric that represents a company's ability to make money by measuring its ability to make money. In this study, return on assets is employed as a proxy for profitability (ROA). The return on assets (ROA) is a calculation that indicates a company's ability to profit. According to (Kurniasih & Sari, 2013) ROA can be calculated by the following formula:

$$\boldsymbol{ROA} = \frac{\boldsymbol{Net\ Income}}{\boldsymbol{Total\ Assets}}$$

Control Variable

The control variable is a variable that can be modified to ensure that the independent variable of the dependent is unaffected by unknown external causes. The study's control variables are leverage and firm size.

Leverage

The greater the company's debt, the higher the agency expenses that must be incurred (Jensen & Meckling, 1976). Leverage in this study is used as a measure of how big a company is to finance its business. Based on research (Okrayanti et al., 2017) leverage can be measured using a debt to asset ratio (DAR) using the following formula:

$$\textbf{Leverage} = \frac{\boldsymbol{Total\ Liabilities}}{\boldsymbol{Total\ Assets}}$$

Company Size

Companies with larger total assets can attract government attention, companies have to pay large amounts of taxes. This is compatible with agency theory (Jensen & Meckling, 1976), where management tries to minimize the total assets to be reported that the company can avoid paying large amounts of taxes, in order to fulfill its responsibility in optimizing shareholder profits. The more the overall assets, which implies that the company has solid long-term prospects, the larger the company size is on a rate that can categorize companies into big or small companies (Lanis and Richardson, 2012).

$$\boldsymbol{Size} = \boldsymbol{Log}\ (\boldsymbol{Total\ Assets})$$

Population and Sampling Determination

Based on (Sugiyono, 2015), population is a generalization area made up of objects or subjects with specific features and attributes that researchers have specified should be investigated and conclusions drawn. The population of this study is manufacturing companies in the food & beverage sub-sector of goods and consumption whose annual financial reports are published on each company website and publish financial reports for the period 2015 to 2020. The sample of the research is a manufacturing company in the food & beverage sub-sector that was chosen given a set of criteria, notably by using the purposive sampling approach, which is expected to provide answers to the research's problems. According to (Palinkas et al., 2015), purposive sampling is a way to identify and select cases that will use limited research resources effectively. The following are the criteria that were used in this research:

1. Manufacturing companies in the food & beverage sub-sector listed on the Indonesia Stock Exchange (IDX) for 6 consecutive years in the 2015 - 2020 period.

2. Manufacturing companies in the food & beverage sub-sector that publishes its annual report for the period 2015 - 2020.
3. Manufacturing companies in the food & beverage sub-sector that publish financial reports using the financial year ended December 31.
4. The sample is a Manufacturing companies in the food & beverage sub-sector that has a positive profit on the Indonesia Stock Exchange (IDX) during the 2015-2020 period.
5. Manufacturing companies in the food & beverage sub-sector that published financial reports in one rupiah (IDR) currency and have been audited.

Data Analysis Technique

This study used descriptive statical analysis, panel data regression model, and classic assumption for the data analysis. Hypothesis testing with panel data regression model using eviews-9 software. Panel data regression model follows:

$ETRi,t = \alpha + \beta 1CIi,t + \beta 2CSRi,t + \beta 3ROAi,t + \beta 4LEVi,t + \beta 5SIZEi,t + \varepsilon i,t$

Whereas,
ETR : Effective Tax Rate
CI : Capital Intensity
CSR : Corporate Social Responsibility
ROA : Return on Assets
LEV : Leverage
SIZE : Company Size
β1- β5 : Regression Coefficient
ε : Error Term

RESULTS AND DISCUSSIONS

Research Objects and Data Description

Table 1
Data Samples

No.	Criteria	Company
1.	Manufacturing companies of food & beverage sub-sector listed on the Indonesia Stock Exchange for the period 2015-2020 that published annual report, financial statement ended December 31, positive profit, and financial report in (IDR) currency during 2015-2020 period	34
2.	Manufacturing companies of food & beverage sub-sector listed on the Indonesia Stock Exchange for 6 consecutive years in the 2015-2020 period.	(18)
3.	**Total**	16 x 6 years = **96 sample**

Source: Secondary Data Processing, 2021

Table 1 shows that there were 34 manufacturing companies in the food & beverage sub-sector listed on the Indonesia Stock Exchange from 2015 to 2020, with 18 companies lacking a complete comprehensive financial statement for 2020 period. This sample gave a total of 96.

Descriptive Statistical Analysis

Descriptive statistics in this research are used to give information on research variables such as capital intensity, corporate social responsibility, profitability, leverage and firm size and tax avoidance and characteristics the sample in the study which includes the average, maximum value, and minimum value. Table 2 displays the findings of the descriptive statistical analysis that has been completed.

Table 2
Descriptive Statistical

	ETR	CI	CSR	ROA	LEV	SIZE
Mean	0.259274	0.407802	0.937500	0.104202	1.636667	28.82342
Maximum	0.595700	1.567000	1.000000	0.615600	56.00000	32.72561
Minimum	0.004600	0.000000	0.000000	-0.931500	0.120000	26.52885

Source: Secondary Data Processing, 2021

Chow Test Results

The results of the F statistical test demonstrate that the probability value of the F cross-section is 0.000. Because the probability value is less than the significance level of 5% or 0.05, the Fixed Effect Model is chosen.

Hausman Test Results

The probability value of a random cross-section is 0.000, according to the output findings. Because the probability value is less than the significance level of 5% or 0.05, the Fixed Effect Model is chosen. To summarize, the Fixed Effect Model was chosen to estimate the panel data regression model.

Normality Test

The probability value of the fallow jarque serves as the basis for determining if the data is normal or not. The data is normally distributed if the prob jarque fallow value is bigger than the significance level of 5% (0.05). If this is smaller, however, the data is really not properly distributed. The Jarque Bera prob value is 0.0000, according to the output. Value 0.000 < 5% significance level (0.05) as a result, data is not normally distributed.

Multicollinearity Test

Table 3
Multicollinearity Test

	CI	CSR	ROA	LEV	SIZE
CI	1.000000	-0.044701	0.291758	0.085177	0.088732
CSR	-0.044701	1.000000	0.037337	0.037978	0.231071
ROA	0.291758	0.037337	1.000000	-0.065854	-0.053751
LEVERAGE	0.085177	0.037978	-0.065854	1.000000	0.102939
SIZE	0.088732	0.231071	-0.053751	0.102339	1.000000

Source: Secondary Data Processing, 2021

Table 3 shows there were no independent variables with a correlation of larger than 0.8, indicating that there is no concern with multicollinearity.

Heteroscedasticity Test

This test determines if the error or error variance is fixed, constant (homoscedastic), or variable (heteroscedastic). There is no heteroscedasticity if the prob value > 5% significance level (0.05It is clear from the output that all of the independent variables have the value of prob < (0.05). Concluded that, the research data has heteroscedasticity. Heteroscedasticity test is required. Because the data used are heteroscedastic, the estimation used in this study is General Least Square (GLS).

The basis for determining whether the data is normal or not is seen from the probability value of the fallow jarque. The data is normally distributed if the prob jarque fallow value is greater than the significance level of 5% (0.05). If it's smaller, however, the data is really not properly distributed. The Jarque Bera prob value is 0.841272 according to the output. The result of 0.841272 is higher than the 0.05 significance level, indicating that the data is normally distributed.

Coefficient of Determination (R^2)

The Adjusted R-squared value is 0.558886 (or 55.88 %). The method of determining how much the independent variable contributes to the dependent variable is called analysis of determination. The goal of this study is to find out what percentage of the independent variables' contributions to the dependent variable are combined. Capital Intensity, CSR, and ROA had a combined influence of 55.88 % on ETR, with the other 44.22 % influenced by characteristics not included in this analysis.

Statistical Test F

This test is carried out to test the estimation of the Fixed Effect Model cross-section weights (EGLS) model whether the independent variables together have an influence on the dependent variable. Based on the output of data processing at the output, the Fcount value is 7.018185 with Prob(F-statistic) 0.000. It can be seen that the value of F0.05;5;112 is 3.08 and the significance level used is 5%. The value of Fcount = 7.018185 > F0.05;5;112 = 3.08 or the value of Prob (F-statistic) = 0.000 <5%. As a result, it could be stated that the independent factors have an effect on the dependent variable when taken together. That is, the Capital Intensity, CSR, and ROA variables all have an impact on the ETR variable.

Statistical Test t

Table 4
Statistical Test t

Variable	Coefficient	Std. Error	t-Statistic	Prob.
(Constant)	1.726520	1.570047	1.099661	0.2750
CI	1.875039	0.244205	7.678152	0.0000
CSR	-0.055878	0.026443	-2.113121	0.0379
ROA	0.569251	0.398166	1.429685	0.1570
LEV	0.007898	0.010021	0.788107	0.4331
SIZE	-0.088154	0.053547	-1.646305	0.1039

Source: Secondary Data Processing, 2021

Capital intensity (X1) has a probability value of 0.0000 or less than 0.05. The coefficient value of 1.875039 indicates the direction of the positive influence. It may be concluded that the capital intensity variable has a positive effect on tax avoidance, H1 hypothesis is accepted.

CSR (X2) has a probability value of 0.0379 or less than 0.05. The coefficient value is -0.055878 indicating the direction of the effect is negative It may be concluded that the corporate social responsibility variable has a negative effect on tax avoidance, H2 hypothesis is accepted.

ROA (X3) has a probability value of prob. = 0.1570 or higher than 0.05. Conclude that the profitability variable has no significant effect on tax avoidance, H3 hypothesis is rejected.

The Effect of Capital Intensity on Tax Avoidance

Based on the test results, capital intensity has a probability value of 0.0000 < 0.05. The coefficient value of 1.875039 indicates the direction of the positive influence. It may be concluded that the capital intensity variable has a positive effect on tax avoidance in manufacturing companies in the food & beverage sub-sector listed on the Indonesia Stock Exchange for the period 2015-2020. Where capital intensity is an independent variable from tax avoidance. The agent is the manager, and the principal is the government. The government wants to increase tax revenue, but managers want to reduce capital intensity tax payments. The government will be drawn to high fixed assets in order to apply tax payments to taxpayers. (Irianto, Sudibyo, & Wafirli, 2017) stated the larger the fixed assets, the higher the tax paid, encouraging businesses to engage in tax avoidance. According to (Rodríguez & Arias, 2012), by depreciating fixed assets each year, a company's fixed assets allow it to avoid paying taxes. Tax laws incentivize asset depreciation since depreciation expense can be deducted from pre-tax profit.

The findings of the study corroborate those of the previous research (Dharma & Noviari, 2017). According to (Muzakki and Darsono, 2015), the intensity of capital in fixed assets has a big impact on production capacity, and the more fixed assets a company has, the more production capacity it has. An increase in production capacity suggests an increase in sales, which means a rise in revenue, which will result in a rise in the tax burden that the company must pay.

The Effect of Corporate Social Responsibility on Tax Avoidance

Based on the test result, corporate social responsibility has a probability value of 0.0379 < 0.05. The coefficient value is -0.055878 indicating the direction of the effect is negative. it could be inferred that the corporate social responsibility variable has a negative effect on tax avoidance in manufacturing companies in the food & beverage sub-sector listed on the Indonesia Stock Exchange for the period 2015-2020. It can also be interpreted that many or few items of corporate social responsibility disclosed in the annual report do not have a significant effect on tax avoidance. According to the legitimacy theory, companies aim to achieve good legitimacy from the community in order to ensure their survival by implementing CSR programs, one of which is paying taxes in accordance with regulations. Paying taxes in line with existing legislation without engaging in tax avoidance activities that can hurt many parties is one way to obtain legitimacy from the community (Muzakki and Darsono, 2015). Companies that engage in responsible CSR activities are less likely to engage in tax avoidance (Dharma & Noviari, 2017).

(Lanis & Richardson, 2015), (Apriliyana & Suryarini, 2018), and (González, Ferrero, & Meca, 2019) all support the findings of this study. The lower the occurrence of tax avoidance, the higher the level of corporate social responsibility performance, where companies that are more socially responsible tend to show less tax avoidance (Lanis & Richardson 2015).

Effect of Profitability on Tax Avoidance

Based on the test result, show that profitability with a measurement proxy using ROA has a probability value of prob. = 0.1570 or higher than 0.05. Conclude that the profitability variable has no significant effect on tax avoidance in manufacturing companies in the food & beverage sub-sector listed on the Indonesia Stock Exchange for the period 2015-2020. The overall findings assume that profitability has no significant effect on tax avoidance. Because a company with a high level of profitability is logically unlikely to engage into tax avoidance, it pays taxes honestly without attempting to decrease the tax burden. Companies with a low level of profitability, on the other hand, will refuse to pay taxes in order to maintain their assets. Companies with a large profit margin have the chance to position themselves in tax planning, lowering their overall tax burden (Chen et al., 2010). Companies that have strong tax planning will pay the lowest taxes, which will reduce the tendency of companies to avoid paying taxes (Arianandini & Ramantha, 2018). The findings of this study agree with those of (Kurniasih & Sari, 2013) and (Irianto et al., 2017), who found that using ROA as a measuring proxy has no significant effect on tax avoidance.

The concept of legitimacy theory also links the profit generated by the company with the three bottom line disclosure which are people, planet, and profit. If company has high profits, management as an agent must also provide social and environmental activities as a form social contract that occurs in social interactions.

CONCLUSIONS

The objectives of this paper are to see how capital intensity, corporate social responsibility, and profitability affect tax avoidance in a food and beverage manufacturing company listed on the Indonesia Stock Exchange (IDX) between 2015- 2020. The findings of this research, based on the tests stated previously, indicate that:

1. Capital intensity has a positive effect on tax avoidance.
2. Corporate social responsibility has a negative effect on tax avoidance
3. Return on Assets, as another proxy for measuring profitability, has no significant effect on tax avoidance.

LIMITATION AND SUGGESTIONS

According to conclusions above, this study still has limitations that are expected to be improved by future researchers. The following are the study's limitations and recommendations:

1. This research only uses 3 (three) independent variables, namely capital intensity, corporate social responsibility, and profitability and 2 (two) control variables, such as leverage and firm size. Capital Intensity, CSR, and ROA had a combined influence of 55.88 % on ETR, with the other 44.22 % influenced by characteristics not included in

this analysis. It is hoped that future research would add independent variables such as corporate governance, responsibility, liquidity, company characteristics, and other variables to further improve and modify previous research.

2. The Indonesian government changed the corporate tax rate for 2020 due to the COVID-19 pandemic. As a result, there is a difference in tax rates between 2015-2019 and 2020 in this study.

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