THE INFLUENCE OF RETURN ON ASSETS, LEVERAGE, CAPITAL INTENSITY, AND CORPORATE GOVERNANCE TOWARDS TAX AVOIDANCE

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Abstract
This research was aimed to know the influences of return on asset, leverage, capital intensity, and corporate governance on tax avoidance. The population in this study were all property, real estate, and building construction companies listed on the Indonesia Stock Exchange in 2017 – 2019. The data used in this study was secondary data. The number of research samples obtained was 31 companies with purposive sampling technique and the number of observations of research data obtained was 93. This study used the multiple linear regression method with a random effects approach model. The results of this study are (1) return on asset has a significant negative effect on tax avoidance, (2) leverage has a significant positive effect on tax avoidance, (3) capital intensity has no effect on tax avoidance, (4) corporate governance has a significant negative effect on tax avoidance.

Keywords: Tax Avoidance; Return on Asset; Leverage; Capital Intensity; Corporate Governance

INTRODUCTION

The government is aware of the role of an active and flexible State Budget as an important factor in responding to the need for medical intervention, protecting the community and supporting the business world (Sri Mulyani, 2021). One of the most important components in APBN revenues is taxes. Taxes are considered as the backbone of a country, the ups and downs of the country's economy depend on the taxes collected by a country (Kemenkeu, 2020). This is evidenced by data sourced from the ministry of finance which states that over the past six years, the average state income from taxes has reached up to 80%, while the remaining 20% comes from outside taxes. this makes the income from taxes relatively high (Statistik, Realisasi Pendapatan Negara, 2021).

Tax revenue in Indonesia is relatively high, but the tax ratio in Indonesia is still relatively low and continues to decline to its lowest point in 2020 of 8.3 (Kemenkeu, 2020). This ratio is far behind compared to developing countries, namely 14-15% and 24-26% for developed countries (Permata, et al, 2018). The tax ratio in the property, real estate, and building construction sectors in Indonesia is only 4.18%, this ratio causes tax revenues in Indonesia to be relatively low and undertaxed (DDTCNews, 2020).

Return on Assets is used to measure whether the company's profit increases or decreases. If the profit generated is higher, the higher the tax to be paid and this will affect the company's after-tax income which will make profits tend to be smaller. To avoid this, the company will minimize tax payments by doing Tax Avoidance. the higher the return on assets, the higher the tax avoidance. Research performed by (Maitriyadewi & Noviari, 2020) and (Darsani & Sukartha, 2021) which found that the return on asset positive effect on tax avoidance.

Leverage is a benchmark in knowing the level of activity financed by debt. As the company's debt increases, the interest expense will also increase. Interest expense is one of the deductions for tax payments. So the higher the level of leverage, the higher the tax avoidance. This statement is supported by the results of research (Alfina, et al, 2018) (Putra, et al, 2019) which shows that leverage has an effect on Tax Avoidance.

Capital Intensity is a measuring tool to determine the size of a company investing its funds into fixed assets (other than land), as well as to determine the level of efficiency of the company in using existing fixed assets in the company to increase sales. Each fixed asset has a depreciation value which will reduce profit before tax (deductible expense). The greater the value of fixed assets, the resulting depreciation costs are also greater and the payment of a company's tax burden will be smaller, thus supporting management to carry out tax avoidance. This idea is supported by the results of research (Kalbuana, et al, 2020) and (Darsani & Sukartha, 2021) which conclude that capital intensity has a positive effect on tax avoidance.

The implementation of corporate governance is very necessary so that shareholders have more confidence in the financial statements produced. High corporate governance has an impact on taxpayers so that they are not aggressive in tax management, and can reduce the occurrence of tax avoidance and have a positive impact on management performance. This study uses the proxy of an independent commissioner in charge of supervising management in making decisions to suit the interests of shareholders. The higher the independent commissioner, the smaller the level of tax avoidance. This idea is supported by research (Mauludin, 2022), and (Alfina, et al, 2018) which say that the proportion of independent commissioners has a significant effect on tax avoidance.

Based on the background and previous research, the researchers decided to conduct a re-test entitled "The Influence of Return on Assets, Leverage, Capital Intensity, and Corporate Governance Towards Tax Avoidance". Based on the background and title above, the formulation of the problem to be studied in this study is : Odes return on assets, leverage, capital intensity, and corporate governance affect tax payment avoidance.

LITERATURE REVIEW AND RESEARCH HYPOTHESES

The frame of thought in this study is the effect of return on assets, leverage, capital intensity dan corporate governance on tax avoidance which is described as follows:

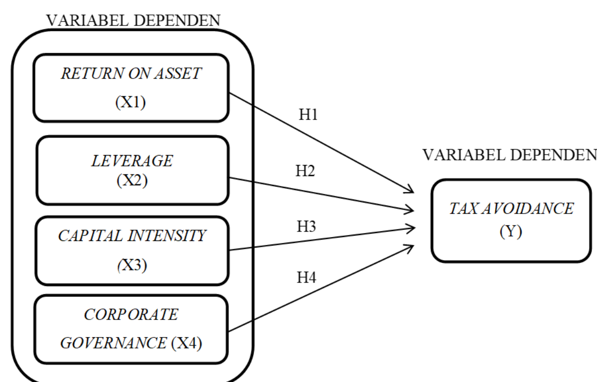

Figure 1. Frame of Thought

H_1: Return on Assets has a positive and significant effect on tax avoidance
H_2: Leverage has a positive and significant effect on tax avoidance
H_3: Capital intensity has a positive and significant effect on tax avoidance
H_4: Corporate governance has a negative and significant effect on tax avoidance

METHODOLOGY

This research is research to test the hypotheses that have been proposed by researchers. Testing in this study using multiple linear regression models, to see the influence of return on

asset, leverage, capital intensity, and the corporate governance towards Tax Avoidance. This type of research in quantitative research is secondary data and information obtained indirectly from the company. Secondary data obtained from the Indonesia stock exchange (BEI) in the form of the financial statements the company's property, real estate, and building construction sector 2017-2019 period.

RESULTS

U.Feasibility test on regression data panel

The purpose of this test to find out which model is the most appropriate used in this study.

Table 3. The Results of Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.114811	(30,58)	0.0073
Cross-section Chi-square	68.728216	30	0.0001

Table 2. The Results of Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.575879	4	0.0726

Table 3. The Results Of Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	Time	Both
Breus ch-Pagan	2.992804	0.967695	3.960499
	(0.0836)	(0.3253)	(0.0466)

After those three-test carried out, Random Effect Model is the most suitable

Multiple Linier Regression

TA = A + B1 ROA + B2 LEV + B3 CI + B4 CG + E

TA = 0.655100 - 1.781728 ROA + 0.110908 LEV - 0.224877 CI - 0.776339 CG + e

Coefficient of Determination Test

Table 4. The Results of Determination's R^2

R-squared	0.280037
Adjusted R-squared	0.247312

Based on the test results in the table above, it can be said that the adjusted R-squared value is 0.247312 or 24.7%. These results show that during the 2017-2019 period the dependent variable, namely tax avoidance, can be explained by the dependent variable consisting of Return on Assets, leverage, capital intensity, and corporate governance of 24.7%. And the remaining 75.3% (100%-24.7%=75.3%) is explained by other variables that are not in the regression model of this study.

F-Test

Table 5. The Result of F-Test

F-statistic	8.557140
Prob(F-statistic)	0.000007

Based on the results of the simultaneous test (F-test) in the table above, the results obtained by the F-statistic are 0.000007. this value is below the significance value of 0.05. Therefore, the researcher concludes that simultaneously Return on Assets, leverage, capital intensity, and corporate governance have a significant effect on tax avoidance.

t-Test

Table 6. The Result of t-Test

Variable	Coefficient	Prob.
C	0.655100	0.0003
ROA	-1.781728	0.0114
DER	0.110908	0.0012
CIR	-0.224877	0.0888
KKI	-0.776339	0.0225

t-test were carried out to know which direction and level of significant variable x to variable y

DISCUSSION

Return on asset effect on tax avoidance

Return on Assets is an indicator in measuring whether or not the company is able to generate profits and how management is able to manage company resources such as implementing cost efficiency, operating efficiency, maximizing asset use, maximizing marketing and so on. The greater the profit obtained, the higher the Return on Assets value. Companies with a high level of Return on Assets usually have good management performance. With good tax planning, tax payments will be optimal, so companies tend to minimize tax avoidance practices. Companies with high profits have the ability to pay all taxes that must be paid, so they are willing to comply with tax regulations without looking for loopholes to practice tax avoidance. On the other hand, if the company generates low profits, it is usually difficult to pay taxes. because tax payments will reduce profits, the smaller the profit, the management's performance assessment will be considered less good and will affect the bonuses earned by management. So the management is trying to find loopholes in the tax law to implement tax avoidance practices.

The results of this study are supported by the results of research initiated by (Jusman & Nosita, 2020), (Rani et al., 2018), (Amiah, 2021), (Debora & Joni, 2021), (Kusufiyah & Anggraini, 2019), and (Suryani, 2020) who said that profitability had a negative effect on tax avoidance.

The effect of leverage on tax avoidance

Leverage calculated by the Debt Equity Ratio (DER) becomes a benchmark for how much the company's operational activities are financed by debt which will cause interest expenses, which reduce the amount of profit. the size of the profit will affect the amount of income tax that must be paid by the company. if the profit before tax is getting smaller, the income tax payment will also be lower. So it can be concluded that the high level of corporate debt can

make management do tax avoidance to produce good financial reports with low tax payments. However, the company still has to be careful in managing the funding, because if the debt is too high, the company's condition will not be good.

The results of this study are supported by the results of research initiated (Wijayanti & Merkusiwati, 2017), (Mariani & Suryani, 2021), (Selviani et al., 2019), (Rani et al., 2018), (Praditasari & Setiawan, 2017), and (Mahdiana & Amin, 2020) which states that leverage has a significant positive effect on tax avoidance.

Capital intensity effect on tax avoidance

Capital intensity is an indicator to measure the size of the company in investing its assets into fixed assets. Fiscally, the depreciation expense of fixed assets reduces income tax, so that the income tax paid will be smaller. However, the results of this study indicate that the company's fixed assets are used to support the company's operational activities in generating maximum profit, and not intentionally invested to take advantage of the depreciation expense of fixed assets. The company's goal is to invest its assets into fixed assets in order to obtain maximum profit, so that it can affect the company's management performance appraisal. The greater the profit, the greater the tax paid. So it shows that capital intensity does not have a significant effect on tax avoidance.

The statement above is supported by statements put forward by (Jusman & Nosita, 2020), (Marlinda et al., 2020), and (Irianto et al., 2017) which say that capital intensity has no effect on tax avoidance. In research (Putra et al., 2019) also said that the results of research in Singapore capital intensity had no effect on tax avoidance.

Corporate governance effect on tax avoidance

Agency theory explains that various parties in the company have their own interests and goals. Therefore, the company requires effective supervision by a party that is independent and does not have a specific motive in its work, namely an independent commissioner. Independent commissioners have the responsibility to supervise management so that they can carry out their duties without compromising the credibility of the company. Basically, management has more information than shareholders. Management also tends to generate short-term profits without paying attention to the welfare of shareholders in order to appear competent in the company. This encourages management to commit fraud by manipulating financial statements so that the company's income becomes greater. This often happens by doing tax avoidance, because it is still in accordance with applicable law. However, tax avoidance can reduce the credibility of the company and go against the wishes of shareholders. Therefore, the implementation of good corporate governance is very much needed so that shareholders and other external parties have more confidence in the company's financial statements that are produced. High corporate governance has an impact on taxpayers so that they are not aggressive in tax management to improve company performance and maximize returns to shareholders, so as to create a clean, transparent and professional management work environment (Jusman & Nosita, 2020). From this quote, it can be concluded that corporate governance can reduce the occurrence of tax avoidance and has a positive impact on management performance, such as being more obedient to paying reasonable taxes and the company's determination to pay taxes.

The statement above is supported by a statement put forward by (Sari & Devi, 2018) which concludes that corporate governance as proxied by independent commissioners has an effect on tax avoidance (Israel & Ebimobowei, 2021), (Mauludin, 2022), and (Alfina, et al, 2018) also say that the proportion of Independent Commissioners has a significant effect on tax avoidance. As well as the results of research (Wijayanti & Merkusiwati, 2017) which says that the proportion of independent commissioners has a negative effect on tax avoidance.

CONCLUSION

The purpose of this study is to know the effect of revealing return on asset, leverage, capital intensity dan corporate governance of tax avoidance on property, real estate, dan building constructor companies that listed on IDX in 2017 to 2019 periods. The number of companies listed in IDX on 2017 to 2019 periods were 98, using purposive sampling technique to get samples with criteria which listed before. The number of company that fulfill the criteria were 31. Those data were acquired from www.idnfinancials.com and www.idx.co.id then those data were processed using Eviews 10. These were data analysis and discussion that's been described previously, so its conclusion:

1. Return on assets has a negative and significant effect on tax avoidance
2. Leverage has a positive and significant effect on tax avoidance
3. Capital intensity has no effect on tax avoidance
4. Corporate governance has a negative and significant effect on tax avoidance

Simultaneously, return on assets, leverage, capital intensity, and corporate governance has a significant effect on tax avoidance.

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