EDUCORETAX
Volume 5 No.2, 2025

THE ROLE OF COMPANY SIZE IN MODERATING CAPITAL INTENSITY AND MANAGERIAL ABILITY TO TAX AVOIDANCE

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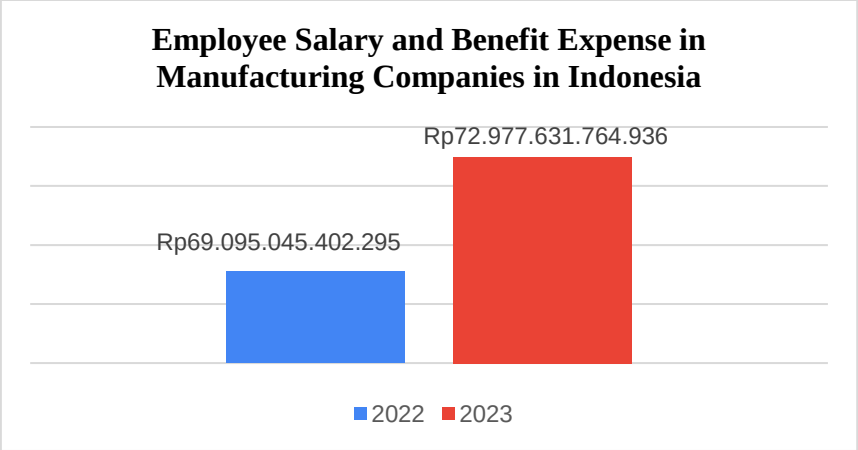
Abstract
This study was conducted to examine the effect of capital intensity and managerial ability on tax avoidance by adding company size as a moderating variable, and profitability and leverage as control variables. This study is a quantitative study with a random effect model. The sample selection used purposive sampling with a total of 252 samples from 84 manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2021 – 2023 period. The hypothesis test used was multiple linear regression using STATA 14. Based on the results of the hypothesis test, it shows that (1) capital intensity has no effect on tax avoidance, (2) managerial ability has an effect on tax avoidance, (3) company size has no effect in strengthening the relationship between capital intensity and tax avoidance (4) company size has no effect in strengthening the relationship between managerial ability and tax avoidance.This indicates that tax avoidance efforts are influenced more by managerial skills than investments in fixed assets. This emphasizes the importance of the role of management in tax planning, so regulators need to focus more on increasing supervision of tax policies related to managerial ability.
Keywords: Capital Intensity, Company Size, Managerial Ability, Tax Avoidance

INTRODUCTION

Based on tax revenue data from the DGT's performance report, Corporate Income Tax in Indonesia in 2023 experienced a slowdown in growth of 20.24% compared to the previous year which grew by 71.72%. The slowdown in growth is due to the non-recurring Voluntary Disclosure Program (PPS) and increased restitution (DDTCNews.co.id, 2023). Some companies use restitution as a loophole for tax avoidance, for example by inflating claims or utilizing inappropriate in-kind.

Law No. 7 of 2021 concerning HPP stipulates that benefits in kind can be used as a deduction in tax calculations. This tax regulation in kind is then implemented through PMK No. 66 of 2023 which will come into effect on July 1, 2023, by regulating the types and limits of benefits in kind or enjoyment that are excluded from PPh objects. This regulation opens up opportunities for companies to use benefits in kind as a deduction from gross income (Pajak.com, 2023).

Figure 1. Employee Payroll and Benefits Expense Growth Chart



Source: Data processed (2024)

In the financial statements of manufacturing companies in Indonesia in 2023, there is an upward trend in the burden of employee salaries and benefits which reached IDR 72.977.631.764.936, an increase from the previous year of IDR 69.095.045.402.295 with an

average increase of IDR 25.376.381.455. This increase is likely due to the implementation of in-kind tax rules which came into effect on July 1, 2023 through PMK Number 66 of 2023. Companies are allowed to include in-kind or enjoyment as a burden that can reduce gross income.

To carry out a tax avoidance strategy through loopholes in the regulations requires managers to have a good ability and understanding in taking advantage of existing opportunities. This is because managers are key actors in making strategic decisions that have an impact on the company's tax strategy (Saragih et al., 2021). The existence of managerial ability can carry out strategies to reduce tax costs and optimize company profits (Syarli, 2022).

One of the tax evasion cases carried out by companies in Indonesia is PT Bentoel International Investama, a cigarette company owned by British American Tobacco (BAT). PT Bentoel revealed that it had paid interest and royalties of US$164 million which caused a 27% loss for the company. This strategy reportedly resulted in a shortfall in tax revenue for Indonesia of US$13.7 million per year (Nasional.kontan.co.id, 2019). PT Bentoel International Investama stated that this loan is used to fund legitimate long-term operational activities and business strategies (Inews.id, 2019).

Companies often need funds to invest in assets used in operational activities with the aim of making a profit. In addition to these objectives, this investment is usually used as a plan to minimize the tax burden through capital intensity. Capital intensity relates to the level of expenditure that a company allocates to fixed assets, where this investment causes depreciation costs and can be a deduction of taxable income (Arinda et al., 2022).

Company size is used as a moderation variable where company size reflects the company's capacity, stability, and market position, which can significantly affect the relationship between other variables (Anggraini & Indawati, 2022). In addition, in this study, there are control variables, namely profitability and leverage. Profitability plays a role in determining the amount of imposition PPh Badan and leverage as a determinant of the level of funding through debt that can reduce taxable income due to interest expenses.

LITERATURE REVIEW

Agency Theory

According to Jensen & Meckling (1976) an agency relationship is a contract between two parties, where one party acts as the employer or principal and the other party acts as the manager or agency authorized to make decisions. However, both the principal and the agent seek to maximize their personal benefits, so that the relationship creates a conflict of interest between the two parties.

Agency problems arise from information asymmetry that occurs when one party has more or better information than the other, leading to potential conflicts of interest. This situation occurs when the agent knows more information about the company than the principal. When there is an asymmetry of information between two parties, delegating decision-making authority to an agent can benefit itself. The decisions taken by these agents can reduce the welfare of the principal.

In this study, the agency theory explains the conflict that occurs between the government which is the principal and the company as the taxpayer who is the agent. The government has the right to receive taxes from taxpayers, namely companies, but companies try to pay the lowest possible taxes to maximize profits (Rizka & Widiastuti, 2022). The existence of this difference in interests encourages companies to act opportunistically in carrying out tax avoidance which causes state tax revenues to be suboptimal (Darsani & Sukartha, 2021).

Capital Intensity on Tax Avoidance

Based on the theory of agency where the company will maximize its profits, one of which can be by involving a cost reduction strategy. In this case, the company increases investment in fixed assets through the use of depreciation costs. However, this will result in the government not getting optimal tax revenue. Previous research by Darsani & Sukartha (2021) shows that companies with greater investment in fixed assets are more likely to engage in tax avoidance strategies. This shows that the company is taking advantage of the tax gap obtained from the reduction of depreciation expense. Supported by the results of research conducted by Widagdo et al. (2020), Arinda et al. (2022), and Khamisan & Astuti (2023) capital intensity, which refers to a company's allocation of fixed assets, has been empirically proven to have a positive impact on strategies implemented in tax avoidance.

H1: Capital intensity has a positive effect on tax avoidance

Managerial Ability on Tax Avoidance

Based on agency theory, there is an information asymmetry between the government and the company, where the company represented by management has a deeper understanding of the company's condition and prospects. In this case, with good managerial skills, management can take advantage of the ability to allocate tangible and intangible resources to enlarge the information gap that leads to effective tax avoidance strategies. However, this action will result in a decrease in government welfare in tax revenue. According to Rahma & Masripah (2024) demonstrate that skilled managers are better equipped to navigate tax regulations effectively. In line with Saragih et al. (2021), Syarli (2022), and Kurnia & Wagisuwari (2023) which emphasizes that higher managerial abilities correlate with an increased tendency to commit tax evasion.

H2: Managerial ability has a positive effect on tax avoidance

Capital Intensity on Tax Avoidance with Company Size as a Moderator

In the context of agency theory, with the large size of the company where superior resources and skills are further strengthened, management acts opportunistically to maximize its arrears through the utilization of costs invested in fixed assets. However, this condition can be detrimental to the government in suboptimal tax revenue. Research Anggraini & Indawati (2022) found that large corporations use abundant resources to invest in capital-intensive projects and take advantage of fixed asset depreciation to reduce taxable income, which ultimately engages in tax avoidance strategies. These findings prove that the size of the company can strengthen management to avoid capital intensity.

H3: Company size strengthens the influence of capital intensity on tax avoidance

Managerial Ability in Tax Avoidance with Company Size as a Moderator

When associated with agency theory, larger companies due to their complex structures strengthen management to leverage its ability to optimize resource allocation and operational processes to achieve efficiencies that result in strategic decisions through the tax loophole. However, this decision is not in accordance with the government which expects maximum tax revenue. Results Saragih et al. (2021) proving that company size significantly moderates the relationship between managerial ability and tax avoidance practices. These findings show that as the company grows, managerial ability is able to navigate and exploit tax regulations that lead to tax avoidance practices.

H4: Company size strengthens the influence of managerial ability on tax avoidance

METHODS

This study is a quantitative research with a random effect analysis model.The data used is secondary data obtained from the company's financial and annual statements from the IDX official website at www.idx.co.id as well as the official website of each company. The sample

selection used purposive sampling with a sample of 252 from 84 manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2021 – 2023 period. The manufacturing company consists of 37 basic and chemical industry sectors, 16 miscellaneous industry sectors, and 31 consumer goods industry sectors. The analysis process includes various stages, from descriptive statistical analysis to hypothesis testing. Data processing is carried out using STATA version 16 software and Microsoft Excel. The variables used in this study consist of tax avoidance as a dependent variable, capital intensity and managerial ability as independent variables, company size as moderation variables, and profitability and leverage as control variables. The control variable is used to ensure that the effect of the free variable on the fixed bound variable is not affected by foreign factors. In the process of variable analysis, problems were found in the normality test that was overcome with winsorized treatment to produce normally distributed data. In addition, the heteroscedasticity problem is overcome by applying a robust standard error treatment, so that the data meets the characteristics of homoscedasticity.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Table 1. Results of Descriptive Statistical Analysis

Variabel	Obs	Mean	Std. Deviasi	Min	Max
BTD	252	0.0093948	0.0258568	-0.0459215	0.1414289
CI	252	0.3929744	0.3165509	0.018209	4.351211
MA	252	0.9782836	0.0227839	0.861415	1
SIZE	252	28.96827	1.6415	25.161	33.73062
ROA	252	0.0797904	0.0649087	0.0012539	0.3636199
DAR	252	0.3540153	0.1666012	0.0326609	0.7970943

Source: STATA version 16 output, Data processed (2024)

Based on the results of table 1, the tax avoidance variable has a mean value of 0.0094, where this positive value indicates that accounting profit is greater than fiscal profit. With a standard deviation value of 0.0258568 greater than the mean value, indicating that the sample used has a low spread and fluctuation of tax avoidance. The minimum value obtained is -0.0459215 at PT. Darya Varia Laboratoria Tbk in 2021. While the maximum value is 0.1414289 at PT. Panca Budi Idaman Tbk in 2021.

The independent variable of capital intensity has a mean value of 0.393 which shows that the company's investment in fixed assets is 39.3%. With a standard deviation value of 0.3165509 smaller than the mean value, the sample has a high spread and fluctuation of capital intensity. The minimum value of capital intensity is 0.018209 at PT. Beton Jaya Manunggal Tbk in 2023. While the maximum value is 4.351211 at PT. Multi Bintang Indonesia Tbk in 2022.

The independent variable managerial ability has a mean value of 0.9782836 which is close to 1 which indicates that the average management is effective and efficient. With a standard deviation value of 0.0227839 smaller than the mean value, the sample has a high distribution and fluctuation of managerial ability. The minimum value of managerial ability is 0.861415 at PT. Pabrik Kertas Tjiwi Kimia Tbk in 2022. While the maximum value is 1 or 100%, one of the companies, namely PT. Astra International Tbk during the 2021 – 2023 period.

The variable moderation of company size has a mean value of 28.96827 which describes the total amount of assets owned by the company. With a standard deviation value of 1.6415 less than the mean value, the sample has a high spread and fluctuation in company size. The

minimum value of the company size is 25.161 at PT. Sinergi Inti Plastindo Tbk in 2021. While the maximum value is 33.73062 at PT. Astra International Tbk in 2023.

The profitability control variable has a mean value of 0.0797904 or only 7%, indicating that the ability of manufacturing companies to earn profits is low. With a standard deviation of 0.0649087 less than the mean value, the sample has a high spread and fluctuation in profitability. The minimum value of profitability is 0.0012539 in PT. Sekar Bumi Tbk in 2023. While the maximum value is 0.3636199 at PT. Mark Dynamics Indonesia Tbk in 2021.

The leverage control variable has a mean value of 0.3540153 or 35.4% of the loan funds are used to purchase the company's assets. With a standard deviation of 0.1666012 less than the mean, the sample has a high spread and fluctuation of leverage. Minimum leverage value of 0.0326609 at PT. Sinergi Inti Plastindo Tbk in 2022. While the maximum value is 0.7970943 at PT. Unilever Indonesia Tbk in 2023.

Normality Test

The normality test is used to find out if the variables in the study have been distributed normally. As explained earlier, a data is declared to have a normal distribution if the skewness value does not exceed 3 and the kurtosis value does not exceed 10. However, based on the results of the Skewness Curtosis Test, there are data that are distributed abnormally, so in this study winsorized treatment is carried out to normalize the data. In this study, the variables BTD, CI, and CISIZE used a winsorized treatment of 1% to generate normally distributed data. Here are the results after the treatment :

Table 2. Results of the Normality Test After Treatment

Variabel	*Skewness*	*Kurtosis*
BTD_w	2.140173	9.152569
CI_w	0.1776284	2.128156
MA	-1.395807	6.070747
ROA	1.65417	6.139828
DAR	0.2500977	2.693032
SIZE	0.5467112	3.236866
CISIZE_w	0.2136023	2.231296
MASIZE	0.6691091	4.056618

Source: STATA version 16 output, Data processed (2024)

Panel Data Capital Test

These tests are used to establish the most appropriate panel data model. So it requires analysis in selecting three panel data models, namely Fixed Effect Model, Random Effect Model, and Common Effect Model.

Table 3. Chow Test Results

	Probability restricted	α
Model 1	0.0000	0.05
Model 2	0.0000	0.05

Source: STATA version 16 output, Data processed (2024)

Table 4. Lagrange Multiplier Test Results

	Probability restricted	α
Model 1	0.0000	0.05

Model 2	0.0000	0.05

Source: STATA version 16 output, Data processed (2024)

Table 5. Hausman Test Results

	Probability restricted	α
Model 1	0.1566	0.05
Model 2	0.4836	0.05

Source: STATA version 16 output, Data processed (2024)

Based on table 3 in models 1 and 2 the probability value of 0.0000 is less than 0.05, then the model chosen is the Fixed Effect Model (FEM). Based on table 4 of models 1 and 2, the probability value of 0.0000 which is less than 0.05, the Random Effect Model (REM) is the best model. Based on table 5, the probability value of model 1 is 0.1566 and model 2 is 0.4836 greater than 0.05, so it can be concluded that the regression model that is in accordance with this test is the Random Effect Model (REM).

Classical Assumption Test

Multicollinearity Test

As in the previous explanation, this test was carried out to check the relationship between independent variables that are considered a problem in the random effect model. The assessment used is Variance Inflation Factors (VIF), where if the VIF value is greater than 10 and the value of 1/VIF is less than 0.10, there is a multicollinearity problem in the research model. Here are the results of the multicollinearity test:

Table 6. Multicollinearity Test Results

Variabel	***VIF***	***1/VIF***
CI_w	1.02	0.979993
MA	1.10	0.906339
ROA	1.04	0.962329
DAR	1.06	0.940962
SIZE	1.11	0.897594

Source: STATA version 16 output, Data processed (2024)

Heteroscedasticity Test

As previously explained, this test was carried out to overcome the problem of variance error not changing constantly along with changes in the value of independent variables. In this test, the Breusch Pagan Test is used with a probability value of more than 0.05, so the data is free from heteroscedasticity problems. The following are the results of the heteroscedasticity test:

Table 7. Heteroscedasticity Test

	Variabel	**Chi2(1)**	**Prob > Chi2**
Model 1	BTD_w	76.25	0.0000
Model 2	BTD_w	66.52	0.0000

Source: STATA version 16 output, Data processed (2024)

Based on table 7. The probability value in model 1 and model 2 of Prob > Chi2 is 0.0000 or lower than a significance value of 0.05. This shows that the data has heteroscedasticity problems, so it is necessary to perform robust standard error treatment to make the data

homoscedasticity. The results of the robust standard error treatment will be explained in the hypothesis test.

Hypothesis Test

Determination Coefficient Test (R Square)

The determination coefficient test was carried out to measure the extent to which the independent variable could explain the dependent variable. With an R-Squared value range between 0 and 1, the closer to the number 1 indicates that the model has a stronger ability to explain the relationships between variables. The following are the results of tests conducted on models 1 and 2 that have been treated robustly standard error:

Table 8. Determination Coefficient Test Results (R-Squared)

	Obs	R Square
Model 1	252	0.0867
Model 2	252	0.0968

Source: STATA version 16 output, Data processed (2024)

Based on the results of table 8, it shows that model 1 has an R-Squared value of 0.0867 which means that 8.67% of the tax avoidance variables can be explained by the variables of capital intensity and managerial ability, the remaining 91.33% is influenced by other factors outside the model that are not included in this study. Meanwhile, model 2 has an R-Squared value of 0.0968 so that 9.68% of the tax avoidance variables can be explained by the variables of capital intensity, managerial ability, company size, capital intensity moderated by company size, and managerial ability moderated by company size, the remaining 90.32% is influenced by other factors outside the model that are not included in this study.

Individual Parameter Significance Test (t-Test)

Partial tests such as t-tests aim to assess whether an independent variable significantly affects the dependent variable. To assess the t-test, it can be seen from the probability of $t \leq 0.05$, then the independent variable significantly affects the dependent variable. The following are the results of t-test in models 1 and 2 that have gone through a robust standard error treatment:

Table 9. Model 1 t-Test Results

	T	Robust Std error	Prob
CI_w	1.34	0.0118431	0.182
MA	2.22	0.0368212	0.026
ROA	2.48	0.041163	0.013
DAR	-0.75	0.0112966	0.456

Source: STATA version 16 output, Data processed (2024)

Table 10. Model 2 t-Test Results

	T	Robust Std error	Prob
CI_w	-1.19	0.2152449	0.233
MA	-0.59	0.5583406	0.556
ROA	2.41	0.0420331	0.016
DAR	-1.06	0.0108496	0.291

SIZE	-0.85	0.0187327	0.395
CISIZE_w	1.25	0.0075131	0.211
MASIZE	0.73	0.0193344	0.465

Source: STATA version 16 output, Data processed (2024)

Model Regression

Equation Model 1

$BTDit = - 0.0818692 + 0.0158147\ CIit + 0.08187\ MAit + 0.1019966\ ROAit - 0.0084228DARit + \varepsilon$

Equation Model 2

$BTDit = 0.3829097 - 0.256479\ CIit - 0.3288137\ MAit - 0.0159453\ SIZEit + 0.0094016\ CI.SIZEit + 0.0141149\ MA.SIZEit + 0.1011115\ ROAit - 0.0114682\ DARit + \varepsilon$

Description:

BTD	: Tax Avoidance
α	: Constant Value
$\beta_1 - \beta_7$	: Regression Coefficient
CI	: Capital Intensity
CI.SIZE	: Capital Intensity moderated by Company Size
MA	: Managerial Ability
MA.SIZE	: Managerial Ability moderated by Company Size
SIZE	: Company Size
ROA	: Return on Assets
DAR	: Debt to Assets Ratio
i	: Company
t	: Time
ε	: Residual Error

The Effect of *Capital Intensity* on Tax Avoidance

From the results of partial regression testing that has been carried out, capital intensity has a T-value of 1.34 with a P-value of 0.182 which is greater than 0.05. This indicates that a positive t-value is in line with the hypothetical direction, but does not significantly affect capital intensity on tax avoidance. So the first hypothesis, namely capital intensity having a positive effect on tax avoidance, is unacceptable.

Agency theory explains that differences in interests between governments and companies can lead to conflicts. In this context, the company seeks to maximize profits by reducing costs, one of which is through depreciation of fixed assets to reduce taxable income. However, the results of the study show that the use of fixed assets is not directly correlated with the practice of tax avoidance. This is supported by the results of statistical analysis from the sales, based on the highest sales value of 316,565,000,000,000 has a BTD value of 0.06371 while the lowest sales of 253,930,872,482 has a BTD value of -0.0008, This shows that sales play a role in increasing the difference between accounting profit and taxable profit. So that fixed assets play a role as a means of supporting the company's operational activities that contribute to an increase in sales revenue which will then increase the tax burden that must be paid.

Although agency theory emphasizes the difference in interests between governments that want maximum tax revenues and companies that focus on cost reductions, the results of this study show that the company's goals are more towards increasing productivity and profits through sales. Descriptive statistical analysis supports this conclusion that 91.33% of the influence on tax avoidance is explained by other variables, indicating that capital intensity is not the main factor influencing a company's tax avoidance strategy.

The findings of this study are supported by previous research by Adams & Balogun (2020), Anggraini & Indawati (2022), and Hendayana et al. (2024) which states that management's focus is on using fixed assets to improve operational efficiency and profitability rather than for tax avoidance purposes. Based on the explanation above, capital intensity does not play an important role in the utilization of depreciation costs from fixed assets as a tax avoidance practice.

The Effect of Managerial Ability on Tax Avoidance

From the results of the partial regression test that has been carried out, managerial ability has a t-value of 2.22 with a p-value of 0.026 which is smaller than 0.05. It can be concluded that a positive t-value in accordance with the direction of the hypothesis and managerial ability significantly affects tax avoidance. So that the second hypothesis, namely managerial ability has a positive effect on tax avoidance, can be accepted.

Based on agency theory, information asymmetry between the government and companies can lead to conflicts of interest, where corporate decisions that are not transparent can reduce the welfare of the government. The results of the research are in line with this theory, companies with good managerial ability have a better understanding of the company's operations so that they can optimize resources efficiently and utilize this information to decide to be involved in tax avoidance strategies. Statistically, the highest managerial ability value is 1 with a BTD value of 0.07545. Meanwhile, the lowest managerial ability value is 0.861415 with a BTD value of -0.00133. This shows that companies led by managers with high abilities tend to engage in tax avoidance which is inversely proportional to companies with low managerial skills.

The results of previous research that support this finding are Saragih et al. (2021), Syarli (2022), Kurnia & Wagisuwari (2023), and Rahma & Masripah (2024) which states that managers who are more able to have a better understanding of the company's operations can utilize this information to implement effective tax avoidance strategies. It can be concluded that managerial ability, in addition to being able to efficiently optimize the company's resources, is also able to correlate with the strategic decision-making process in reducing tax obligations.

The Effect of Company Size in Moderating Capital Intensity Relationships on Tax Avoidance

From the results of the partial regression test that has been carried out, the capital intensity moderated by the size of the company has a t-value of 1.25 with a p-value of 0.211 which is greater than 0.05. This shows a positive t-value in the direction of the hypothesis, but the size of the company does not significantly strengthen or weaken the capital intensity of tax avoidance. So the third hypothesis, namely the size of the company, strengthening the influence of capital intensity on tax avoidance is unacceptable.

Based on agency theory, conflicts between governments and companies in maximizing profits can trigger opportunistic actions, such as the use of fixed asset depreciation costs for tax avoidance. The size of the company, which reflects resources and skills, can be a driver of these opportunistic actions. However, the results of this study do not show the interaction of company size with capital intensity that is able to strengthen or weaken opportunistic actions that lead to tax avoidance strategies. The size of the company is described by total assets showing the capacity that the company has to carry out its operations which are used to generate revenue. This indicates that the company's goals are more directed at improving operational performance than opportunistic tax actions. Supported by an R-Squared value of 90.32%, indicating that there are other factors outside the model and the addition of moderation variables improves the model's ability to explain variable relationships.

The results of the research are in line with previous research Hendayana et al. (2024) which states that the size of the company does not significantly strengthen or weaken the

influence of capital intensity on tax avoidance. According to him, large companies tend to receive stricter supervision from tax authorities so as to encourage compliance and transparency which can limit tax avoidance by capital intensity. It can be concluded that the size of the company reflects the total assets owned, but does not indicate the resources and skills that can reinforce opportunistic actions such as tax avoidance through cost utilization.

The Effect of Company Size in Moderating Managerial Ability Relationships on Tax Avoidance

From the results of the partial regression test that has been carried out, the managerial ability moderated by the size of the company has a t-value of 0.73 with a p-value of 0.465 which is greater than 0.05. This shows a positive coefficient direction in accordance with the hypothetical direction, but the size of the company does not significantly strengthen or weaken the managerial ability to avoid taxes. So the fourth hypothesis, namely the size of the company, strengthening the influence of managerial ability on tax avoidance is unacceptable.

According to agency theory, information asymmetry occurs when an agent has more information than the principal. The size of the company reflects the complexity and managerial ability to optimize resources, which can support strategic decision-making, including tax avoidance. However, the results of the research findings do not describe the size of the company can strengthen or weaken the company involved in tax avoidance strategies. The size of the company is linked to the complexity of the company and managerial ability does not always correlate with exploiting loopholes in tax regulations for tax avoidance. This is supported by the results of the determination coefficient test, where the R-Squared value in model 2 shows that tax avoidance is also influenced by 90.32% by other factors outside the model that are not discussed in this study.

In line with previous research Rahma & Masripah (2024) which states that managerial abilities in large or small companies have limited opportunities for management to implement policies aimed at reducing tax avoidance. It can be concluded that the size of the company only shows the total assets owned, but does not describe the complexity of the company and its managerial ability to influence decisions to strengthen tax avoidance measures.

CONCLUSION

The results of the first hypothesis test were rejected, namely that capital intensity has a positive effect on tax avoidance. This indicates that companies invest in fixed assets using these assets to support operational activities in generating profits, not to take advantage of depreciation costs as a means of tax avoidance.

The results of the second hypothesis test were accepted, namely managerial ability has a positive effect on tax avoidance. This proves that companies with good managerial skills can efficiently manage resources to make strategic decisions, including decision-making to take advantage of tax regulatory loopholes.

The results of the third hypothesis test were rejected, namely that the size of the company strengthens the influence of capital intensity on tax avoidance. This shows that the size of the company reflects the total assets owned does not reflect the resources and skills that can strengthen opportunistic actions in the utilization of fixed asset costs.

The results of the fourth hypothesis test were rejected, namely that the size of the company strengthens the influence of managerial ability on tax avoidance. This implies that the size of the company indicates total assets but does not describe the complexity and managerial ability to make strategic decisions to take advantage of tax loopholes.

Suggestion

It is recommended to add new independent variables based on current phenomena to expand the understanding of the factors that affect tax avoidance practices by companies.

Additionally, the use of other proxies such as Abnormal Book Tax Difference (ABTD) can be considered for more accurate tax avoidance measurements. The study also suggested extending the study period and evaluating the purposive sampling used to ensure the relevance and feasibility of the sample.

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