

An In-Depth Examination of The Factors Influencing Tax Avoidance in Indonesia’s Primary Consumer Sector: A Case Study of Key Determinants

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Abstract— Since businesses are the primary source of money for a country, they tend to decrease their earnings in response to taxes, which in turn fosters tax avoidance. This study aims to determine and explore the variables that affect tax avoidance in the primary consumer sector in Indonesia. Capital structure, capital intensity ratio, sales growth, inventory intensity, and transfer pricing are a few variables that influence tax avoidance. This inquiry uses quantitative approaches. Primary consumer companies that float on the Indonesia Stock Exchange between 2018 and 2022 are the study's subjects. After 35 enterprises were selected as a sample, there were 106 companies in the research population. This study also makes use of a *non-probability sampling* method called *purposive sampling*. Version 26 of the *Statistical Product and Service Solution* (SPSS) is a special tool utilized in the data analysis methodology. The results showed that transfer pricing had an impact on tax evasion but that capital structure, sales growth, capital intensity ratio, and inventory intensity did not. It is expected that this study will enable future researchers to examine the factors driving tax avoidance more extensively and provide a more thorough examination of these concerns.

Keywords— Capital Intensity; Capital Structure; Inventory Intensity; Sales Growth; Tax Avoidance; Transfer Pricing

I. INTRODUCTION

In the current era, Indonesia's economic growth is very developed in various economic sectors. Indonesia itself has many economic sectors, one of which is the primary consumer sector. Primary consumer companies are the main industrial sector in meeting the basic needs of society, which produces products and services that are consumed primarily and are not cyclical. Therefore, economic expansion has no effect on the demand for the provided goods and services. Businesses in the primary consumer sector show promise as a stable haven in the face of erratic economic fluctuations. In contrast to other industries that are more susceptible to changes in the economy, this one serves as a long-term stronghold that promotes growth and resilience. The primary consumer sector itself consists of various types of necessities, such as food and beverages, medicine, retail, and household products. Thus, a nation's economic growth and stability can be greatly impacted by the success of its primary consumer sector, which produces non-cyclical items that meet daily necessities. Value-added tax (VAT), import and export taxes, corporate income tax, tax incentives, and tax monitoring and compliance are a few of the revenue streams from this industry that may contribute to Indonesia's state revenue and have an immediate impact on the nation's economy.

Taxes are one of the cost elements that, from a business perspective, lower a company's profitability. Many corporations attempt to alter the tax administration system to reduce their tax liability due to the high tax load. Companies are the taxpayers who typically minimize their tax liability. The business must pay taxes on its income since it is a corporate taxpayer. The income of the company determines how much tax must be paid. Although there is little doubt that the state will benefit from this, businesses might see taxes as a burden that would reduce their earnings.

One strategy that businesses frequently use to minimize their tax liability and hence lower their earnings is tax avoidance. Agency theory explains how principals and agents are related. When it comes to tax avoidance, the principle wants the business to maximize earnings and value, which includes following all applicable tax laws. On the other side, the agent, or management, is incentivized to reduce the company's tax bill, even if it involves employing a forceful tax avoidance tactic in which management's incentive is

correlated with the company's earnings. Short-term business earnings might rise because of tax avoidance, which raises management pay.

One of the most prominent US tech businesses, Google, is said to have avoided paying taxes totalling 19.9 billion euros (US\$ 22.7 billion, or approximately Rp 327 trillion) in 2017 by using a Dutch shell company to transfer money to Bermuda. Google moved its revenues from the Netherlands to Bermuda by implementing the "Double Irish, Dutch Sandwich" plan. This "Double Irish, Dutch Sandwich" is a valid tactic that enables Google to avoid paying European withholding tax or US income tax on the money, which constitutes most of its foreign profits. Income made outside of the United States is transferred through a Dutch subsidiary to Google Ireland Holdings, an affiliate situated in Bermuda that does not impose income tax on the corporation.

This research is obtained from some of the results of previous similar researchers regarding tax avoidance. Prior studies carried out [1] using the title "The Effect of Capital Intensity, Inventory Intensity and Sales Growth on Tax Avoidance". Multiple linear regression was employed in the study's research methodology. The results showed that capital intensity had no influence on tax avoidance, sales growth had a positive impact, and inventory intensity had a negative impact. This study has a gap in the sector and period where previous studies used companies in the food and beverage industry listed on the Indonesia Stock Exchange between 2016 and 2020.

Based on studies carried out by [2] with the title "The Effect of Transfer Pricing, Capital Intensity and Inventory Intensity on Tax Avoidance (Study of BUMN Companies Listed on the IDX for the 2017-2021 Period)". *Purposive sampling* was used in the study, and the results showed that transfer pricing had little bearing on tax avoidance. On the other hand, tax avoidance is positively and significantly impacted by capital and inventory intensities. The industry and time in which prior studies used state-owned companies that were listed on the Indonesia Stock Exchange between 2017 and 2021 represent the study's research gaps.

Drawing from the research carried out by [1] and [2] shows different research results. This can occur because there are differences in each research object, research variables used, and the time used to obtain results that are not the same between one study and another. Therefore, the author tries to examine further about tax avoidance and the factors that influence it. The research to be conducted by the author has differences in the sector under study which will examine the primary consumer sector and use 5 (five) independent variables, namely sales growth, capital structure, capital intensity ratio, inventory intensity, and transfer pricing. This study aims to determine the external and internal factors that encourage companies in Indonesia's main consumer industry to avoid paying taxes. The primary issue, which is the impact of several financial circumstances on tax avoidance methods, is examined in this study. The issue that needs to be investigated is whether companies in the primary consumer sector engage in tax avoidance. These factors include sales growth, capital structure, capital intensity ratio, inventory intensity, and transfer pricing.

Agency Theory

According to [3] agency relationship as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. If both parties to the relationship are utility maximisers, there is good reason to believe that the agent will not always act in the best interests of the principal¹. By providing the agent with suitable incentives and incurring monitoring expenses intended to curb the agent's abnormal activities, the principal can reduce the divergence of his interests. Agency theory, in which shareholders behave as principals and firm management operates as agents, and tax avoidance are closely connected concepts. The link between shareholders, or principals, and company management, or agents, who collaborate to accomplish the firm's objectives, is explained by agency theory.

Shareholders (principals) have the power to authorise company management to carry out their actions and obligations as company management in charge of running, managing and realising company activities in accordance with what the principal wants. Shareholders (principals) want to get a lot of profit from the investment they make. On the other hand, company management (agents) want to get high salaries

¹Michael C. Jensen and William H. Meckling, "Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure", Journal of Financial Economics, October 1976, V. 3, No. 4, pp. 6.

and bonuses. This difference makes company management sometimes tempted to make decisions that benefit themselves, even though these decisions can harm shareholders.

The agent in the principal-agent relationship knows more about the company than the principal. Information asymmetry may result from this, in which case the agent may withhold information from the principal for their own benefit. According to [2] the "agency problem" refers to the situation where there is occasionally a conflict of interest in the relationship between the company's management (agents) and shareholders (principals). This happens when the company's management deviates from the wishes of the owners, which could cause the company's main decision makers the shareholders to make poor decisions.

Tax Avoidance

By utilizing internal loopholes in applicable tax rules, businesses can legally limit their tax responsibilities and avoid legal complications through proactive tax avoidance tactics. The intricate practise of tax avoidance involves firms utilising a range of strategies and tactics to decrease their tax obligations. Companies typically engage in tax avoidance because of pressure to generate large profits, high tax rates, intricate tax systems, and prosecution of tax avoidance activities. However, tax avoidance practices also have positive and negative impacts on both the company and the company. The positive impact of tax avoidance is that companies will pay lower taxes, while the negative impact is that state revenues will be reduced and will create injustice and inequality because companies with greater resources will be more able to practice tax avoidance than smaller companies. However, the most influential negative impact is that the company will damage its reputation which will result in a loss of trust from investors, customers, and other interested parties.

Sales Growth

Sales Growth is a condition where there is an increase in a product within a certain period which is usually compared to the previous year. An essential metric for assessing a company's effectiveness and business advancement is sales growth. Simply put, it shows whether a company is thriving or struggling. Generally, there are three outcomes of sales growth, namely positive sales growth or sales that are growing and increasingly in demand, which will make the demand for products or services increase. Then there is zero or stagnant sales growth, where sales do not change, which can be a sign of losing momentum, and negative sales growth or declining sales. This can happen because the company may be facing difficulties. Large sales growth will also result in large earnings for the business, which will raise the tax burden and force it to look for ways to reduce its tax obligations.

Capital Structure

The leverage ratio that shows the amount of corporate debt relative to the equity that the company has is called the capital structure ratio, also referred to as the *Debt-to-Equity Ratio* (DER). The arrangement of a company's funding sources to support its operations and expansion is known as its capital structure. The components of a capital structure are retained earnings, equity, and debt. With the appropriate capital structure, firm value can rise, and cost of capital can be reduced. The assets of a business and the long-term financial sources it relies on to finance its operations make up its capital structure. A company's capital structure can help it become more valuable and profitable, which makes it a vital component of the firm. Businesses usually think about capital structure to reduce their tax burden because interest paid on loans may usually be deducted from taxable revenue.

Capital Intensity Ratio

A useful tool for estimating how much capital a business needs to develop its fixed assets is the capital intensity ratio. In comparison to businesses with low capital intensity, enterprises with high capital intensity use more fixed capital (such as machinery, plant, and equipment) per unit. The performance of a corporation can be significantly impacted by capital intensity, such as profitability where companies with high capital intensity will probably have lower profit margins due to higher overhead costs, then risk, companies with high capital intensity may have higher technological and financial risk and flexibility, companies with low capital intensity may be more flexible to adapt to market and technological changes. With a lot of fixed assets, it will provide a lot of depreciation expense. This can reduce income so that it can be used for tax avoidance.

Inventory Intensity

Inventory Intensity is a metric used to assess the extent to which a business uses its inventory. In short, inventory intensity shows how much capital a company invests in inventory to support its operations. For investors, creditors, and management to evaluate the company's operational effectiveness, financial stability, and business strategy, inventory intensity is a crucial metric. High inventory intensity indicates that the company has a lot of inventory, while low inventory intensity indicates that the company has little inventory. The substantial expenses incurred by large inventory holding corporations can be subtracted from pre-tax profits to lower taxable income, avoid paying taxes, and stop tax avoidance.

Transfer Pricing

To determine the transaction costs between the parties involved, businesses use a method known as transfer pricing to set prices for commodities, services, intangible assets, and financial transactions pertaining to corporate operations. Income is priced differently in high-tax and low-tax nations. Transfer pricing is occasionally perceived as an attempt to evade taxes if the price agreed upon in a transaction between related parties (having a specific relationship) does not comply with tax legislation. Transfer pricing therefore has the potential to decrease or eliminate a nation's tax collection. As such, this transfer pricing strategy may have an impact on tax avoidance methods.

Research Hypothesis

Effect of Sales Growth on Tax Avoidance

Sales Growth, typically expressed as a percentage, represents the company's sales growth rate over a specific time frame. The profit of the company will rise in tandem with an increase in sales. This indicates that the business has a greater opportunity to use different tax avoidance techniques to reduce its tax payments. There is research to support this opinion [4] suggests that as sales rise, so does a company's probability of turning a healthy profit. A study conducted by found that a profit-generating company will use superior tax planning strategies to reduce its overall tax liability. This research is supported by [5] which found that the income or profit realized increased with sales, and the profit increased with the company's tax burden. As a result, sales significantly influence the frequency of tax avoidance. The following hypothesis on sales growth can be formed based on study findings and theory:

H₁ = Sales Growth affects Tax Avoidance

Effect of Capital Structure on Tax Avoidance

The capital structure, sometimes referred to as the corporate capital structure, shows the proportion of capital that the company utilizes to finance its operations. Either debt or stock may provide this capital. Since interest on debt is deductible from pre-tax income, businesses with large debt loads will pay less in taxes overall. This research was conducted by [5] and supported by research conducted by [6] which found that with the existence of tax regulations in Indonesia that allow interest expense as a withholding tax, companies with a capital structure with more debt have an advantage in terms of taxation. The following hypothesis on capital structure can be formed based on study findings and theory:

H₂ = Capital Structure affects Tax Avoidance

Effect of Capital Intensity Ratio on Tax Avoidance

The ratio of the company's total assets to its fixed assets is known as the capital intensity ratio. This illustrates how much capital the company needs to turn a profit. Fixed assets, such as machinery and buildings, are difficult to hide from the tax authorities. this makes it more difficult for companies with high capital intensity to avoid taxes compared to companies with low capital intensity. based on research conducted by [7] that capital intensity cannot affect tax avoidance. the large or small value of capital intensity cannot increase or decrease the company's actions to conduct tax avoidance. The reason for the lack of effect of capital intensity is because entities that make capital investments related to high fixed assets do not intend for tax avoidance, but for entity operations and are useful for maximising profits. These

results are corroborated by study carried out by [4]. The following hypothesis on capital intensity ratio can be formed based on study findings and theory.

H₃ = Capital Intensity Ratio has no effect on Tax Avoidance

Effect of Inventory Intensity on Tax Avoidance

The ratio of a company's inventory to its total assets is known as inventory intensity. In comparison to its other assets, the corporation has more inventory the higher its inventory intensity. Numerous factors can cause a company's high inventory to reduce net profit. First, inventory storage and insurance costs can weigh on the company's profits. Second, the risk of damage or obsolescence of inventory can also cause losses to the company. This decrease in net income results in lower tax liabilities. Based on research conducted [2], it is discovered that the company's high degree of inventory intensity will result in a drop in corporate earnings because of the increased expenses associated with the inventory. A decline in profits will result in the corporation paying less in taxes. Should firm profits decline, so too would the company's Effective Tax Rate. This study has funding [1] who found that higher inventory intensity will increase tax avoidance. From the theory and research results regarding inventory intensity, the following hypothesis can be made:

H₄ = Inventory intensity affects Tax Avoidance

Effect of Transfer Pricing on Tax Avoidance

A global group of enterprises uses transfer pricing to set prices for goods and services that are exchanged between its components. This pricing is important because it may affect the distribution of taxable profits among countries, which is a common tactic used by multinational firms to move revenues to countries with lower tax rates. There will be less taxes due because of this price. This claim is supported by research conducted by [8] which discovered that businesses use transfer pricing techniques to control profit margins and minimize state tax obligations. The study's conclusions are in line with earlier investigations [9] to assertions that businesses are more likely to engage in tax avoidance in countries with higher tax rates because they view taxes as a burden that would lower profits. From the theory and research results regarding transfer pricing, the following hypothesis can be made:

H₅ = Transfer Pricing affects Tax Avoidance

Conceptual Framework

The conceptual framework might be created as follows using the above-mentioned hypothetical research as a basis:

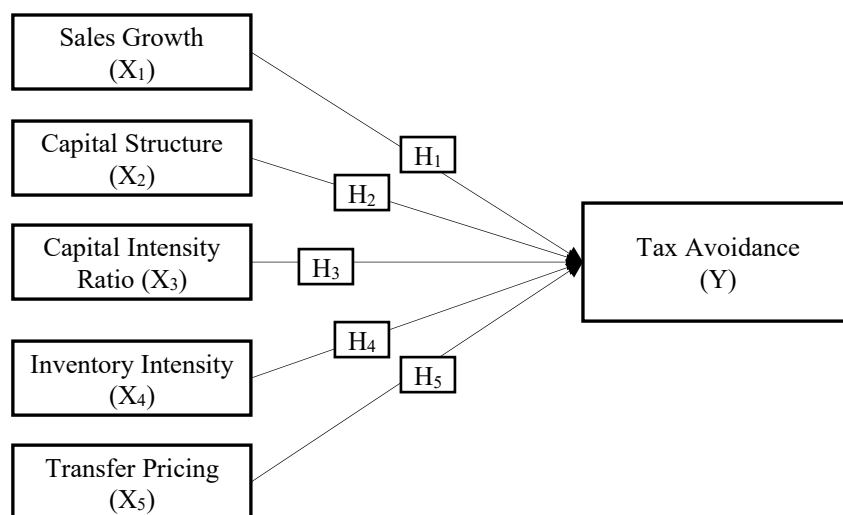


Figure 1. Conceptual Framework

II. RESEARCH METHODS

A. Sample and Research Data

Form of Research

This study examines the relationship between tax avoidance and variables such inventory intensity, capital structure, sales growth, and transfer pricing using an associative quantitative research approach.

Object of Research

The study's objects were the major consumer sector businesses listed on the Indonesia Stock Exchange. Businesses in the primary consumer sector are industrial groups whose activities remain constant despite changes in the economic cycle. This indicates that even in times of economic downturn or recession, the sales and profitability of businesses in this industry typically remain consistent. This is since the goods and services provided satisfy customers' fundamental wants, thus even when their spending power declines, demand cannot be readily met.

Type of Data

One kind of secondary data that was used was financial reports. The sources of these reports were the Indonesia Stock Exchange's official websites, which can be accessed at <https://www.idx.co.id/id>, and the companies listed in the Primary Consumer Sector for the 2018–2022 listing term. The data collection period spans around five years, from 2018 to 2022. The primary focus of this study is the primary consumer companies that have been listed on the "Indonesia Stock Exchange" over a five-year period, from 2018 to 2022.

Population and Sample

According to [10] population is a generalisation area consisting of: objects / subjects that have certain qualities and characteristics set by researchers to study and then draw conclusions². 106 businesses registered on the Indonesia Stock Exchange and engaged in the primary consumer sector make up the study's population.

According to [10] the sample is part of the number and characteristics possessed by the population³. Using the *purposive sampling* method, a *nonprobability sampling* methodology was used to carry out the sample selection criteria. *Nonprobability sampling* is a sampling technique that does not provide the same opportunity / opportunity for each element or member of the population to be selected as a sample⁴, while *purposive sampling* is a sampling technique with certain considerations⁵ [10]. Sample selection criteria include:

Table 1. Determination of Sample Data

No	Sample Criteria	Total
1	Companies in the primary consumer category that were listed between 2018 - 2022 on the Indonesia Stock Exchange	106
2	Companies in the primary consumer sector who haven't released their 2018 - 2022 financial reports in full	(34)
3	Main consumer sector businesses that publish their 2018 - 2022 financial results in rupiah	(2)
4	Major consumer sector businesses that suffered losses between 2018 - 2022, the research period	(34)
5	Companies in the primary consumer sector with an <i>Effective Tax Rate</i> value between 0 and 1 (<1)	(1)

² Sugiyono, Quantitative, Qualitative and R&D Research Methods (Bandung: Alfabeta, 2013), pp. 215.

³ Ibid

⁴ Sugiyono, Quantitative, Qualitative, and R&D Research Methods (Bandung: Alfabeta, 2013), p. 218.

⁵ Sugiyono, Quantitative, Qualitative, and R&D Research Methods (Bandung: Alfabeta, 2013), pp. 85.

The 5th Asia-Pacific Management Research Conference (APMRC) 2024
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No	Sample Criteria	Total
	Total companies that meet the criteria	35
	Year of research (2018 – 2022)	5
	Total research data before outliers	175
	Outlier data	(21)
	Total final research data for the period 2018 to 2022	154

Based on the outcomes of these criteria, 35 organizations were identified as eligible samples for this study. After five years of research, 175 data were produced; however, 154 samples were ultimately collected after the removal of skewed data outliers.

Data Analysis Technique

This study makes use of a wide range of data analysis methods, such as "Descriptive Statistics, Multiple Linear Regression, Coefficient of Determination, F Test, and T Test using a special tool, namely *Statistical Product and Service Solution* (SPSS) version 26." The Classical Assumption Test category consists of four examinations.

B. Research Variables

The two types of variables considered in this study are dependent and independent variables. The variables and the tools used to measure them are as follows:

Dependent Variable

Tax avoidance

Through the technique of tax avoidance, individuals can reduce their tax liability by utilizing legal loopholes and weaknesses in tax regulations. As stated by [11] tax avoidance can be identified using the *Effective Tax Rate*, which is calculated by dividing the tax expense by the earnings before taxes..

$$\text{Effective Tax Rate} = \frac{\text{Current Tax Expense}}{\text{Earning Before Tax}}$$

Independent Variable

Sales Growth

Sales growth is the term used to describe the rise in sales that a firm experiences year over year. When a business is going through a phase of increased revenue growth, it usually feels encouraged to enhance its assets. As stated by [12], the algorithm can be used to determine sales growth.

$$\text{Sales Growth} = \frac{\text{Sales } t - \text{Sales } t-1}{\text{Sales } t-1}$$

Capital Structure

In corporate finance, a company's capital structure refers to how different external funding sources, often referred to as capital are arranged to finance the company. On a company's balance sheet, it is shown as debt, preferred stock, and shareholders' equity. To calculate capital structure, often known as the debt-to-equity ratio, divide total debt by total equity using the following formula [12].

$$\text{DER} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Capital Intensity Ratio

The company's investment activity pertaining to fixed asset investments is the capital intensity ratio. In light of [13] one way to calculate capital intensity is to compare the total fixed assets of the business to its total assets.

$$CIR = \frac{\text{Total Fixed Asset}}{\text{Total Asset}}$$

Inventory Intensity

A ratio called inventory intensity is used to determine how much a company invests on inventory. As stated by [2], by dividing total inventory by total assets, one can compute inventory intensity.

$$\text{Inventory Intensity} = \frac{\text{Total Inventory}}{\text{Total Asset}}$$

Transfer Pricing

Transfer pricing is a frequent method used by businesses to move their revenue from high-tax countries to low-tax countries by shifting it to businesses with connected (special) links. The *Related Party Transaction* (RPT) value, which is calculated by dividing the total related party receivables by the total receivables, can be used as a stand-in for transfer pricing. As stated by [11], The following is the transfer pricing formula.

$$RPT = \frac{\text{Total Affiliate Receivable}}{\text{Total Receivables}}$$

III. RESULT AND DISCUSSION

A. Statistical Descriptive Analysis

According to [10] descriptive analysis is a statistic used to analyse data by describing or describing the data that has been collected as it is without intending to make conclusions that apply to the public or generalisation⁶. The values that make up a descriptive statistical analysis are the minimum, maximum, mean, and standard deviation. The following table shows the results of the descriptive statistical analysis:

Table 2. Results of Statistical Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
SG	175	-.4652	.5040	.093231	.1518245
DER	175	.1085	4.4131	1.073078	.9580685
CIR	175	.0139	.7622	.323177	.1628802
INT	175	.0215	.5581	.190542	.1170008
RPT	175	.0000	.9994	.238844	.3353361
ETR	175	.0320	.9218	.259737	.1148842
Valid N (listwise)	175	-.4652	.5040	.093231	.1518245

Source: SPSS Output 26 (2024)

Table 2 above indicates that there are 175 samples. The values of each variable's minimum, maximum, average (mean), and standard deviation are listed in table 1 above. With a value of -0.4652, the sales growth variable has the smallest minimum value, while the capital structure variable (*Debt to Equity Ratio*) has the biggest minimum value of 0.1085. Table 2 above shows that the sales growth variable has the

⁶ Sugiyono, Quantitative, Qualitative and R&D Research Methods (Bandung: Alfabeta, 2013), p. 147.

least maximum value, which is 0.5040, while the capital structure variable (Debt to Equity Ratio), which has the biggest maximum value, is 4.4131. The sales growth variable has the lowest average value (mean), while the *debt-to-equity ratio* variable has the highest value mean, with values of 1.073078 and 0.093231, respectively. In terms of standard deviation, the capital structure variable has the highest value 0.9580685 and the tax avoidance variable has the lowest value 0.1148842. The smaller the standard deviation number, the closer the variable is to the average.

B. Classical Assumption Test

Four different kinds of traditional assumption tests—the heteroscedasticity, autocorrelation, multicollinearity, and normality tests—will be conducted in this study. The outcomes of the tests that were run are listed below:

1. Normality Test

Table 3. Normality Test Results

N	Asymp. Sig. (2-tailed)	Criteria	Conclusion
154	.200	>.050	Data is normally distributed

Source: SPSS Output 26 (2024)

According to [14], the purpose of the normality test is to test whether in the regression model, the residual variable has a normal distribution or not. A good regression model is that the residual variable has a normal distribution⁷. In this study, one-sample Kolmogorov-Smirnov normal distribution test was used and the basis for the decision was the Asymp significance value. A two-tailed significance (Sig.) value greater than 0.050 indicates that the distribution of the data is likely to be normal. Based on the test results, the Asymp significance value is given in the table above. Data is normally distributed because the significance value (2-tailed) is 0.200 which is greater than 0.050, the study can proceed.

2. Multicollinearity Test

Table 4. Multicollinearity Test Results

Model	Tolerance	Criteria	VIF	Criteria	Conclusion
SG	.957	>0.10	1.045	<10	No interference occurred
DER	.964	>0.10	1.037	<10	No interference occurred
CIR	.810	>0.10	1.235	<10	No interference occurred
INT	.779	>0.10	1.283	<10	No interference occurred
RPT	.803	>0.10	1.245	<10	No interference occurred

Source: SPSS Output 26 (2024)

According to [14], The purpose of the multicollinearity test is to test whether the regression model found a correlation between independent variables. A good regression model should not have a correlation between independent variables (no multicollinearity)⁸. In this study, the multicollinearity test examines the tolerance and VIF values to aid in decision making. If the tolerance value is greater than 0.10 and the VIF value is less than 10, it indicates that the data does not have any multicollinearity problems. Table 4 above shows the results of the test. If the tolerance value is greater than 0.10 and the VIF value is less than 10, it indicates that the data does not have any multicollinearity problems.

⁷ Sahid Raharjo, "Learn to Practice Multivariate Analysis with SPSS IBM SPSS' Statistics", www.konsistensi.com, Edition 1, pp. 5.

⁸ Sahid Raharjo, "Learn to Practice Multivariate Analysis with SPSS IBM SPSS' Statistics", www.konsistensi.com, Edition 1, pp. 8.

3. Autocorrelation Test

Table 5. Autocorrelation Test Results

Durbin-Watson	dL	dU	4-dL	4-dU
1.851	1.6701	1.8040	2.3299	2.196

$$dU \ 1.8040 < DW \ 1.851 < 4-dU \ 2.196$$

Conclusion

No interference occurred

Source: SPSS Output 26 (2024)

According to [14], the purpose of the autocorrelation test is to test whether in a linear regression model there is a correlation between confounding errors in period t and errors in period $t-1$ (previous). A good regression model is a regression that is free from autocorrelation, or no autocorrelation occurs⁹. The autocorrelation test used in this study was the *Durbin-Watson* test. If the d value (*Durbin-Watson*) is between dU and $(4-dU)$, then the data is free of autocorrelation disorders. Table 5 above shows the test results using 154 data points (N) and 5 independent variables (k). The DW value (*Durbin-Watson*) obtained from these results is 1.851. As the *Durbin-Watson* value is between the dU value of 1.8040 and $(4-dU) = 2.196$ ($1.8040 < 1.851 < 2.196$), this suggests that the data is free of autocorrelation disorders.

4. Heteroscedasticity Test

Table 6. Heteroscedasticity Test Results

Model	Sig.	Criteria	Conclusion
SG	.957	> 0.050	No interference occurred
DER	.931	> 0.050	No interference occurred
CIR	.539	> 0.050	No interference occurred
INT	.268	> 0.050	No interference occurred
RPT	.302	> 0.050	No interference occurred

Source: SPSS Output 26 (2024)

According to [14], The purpose of the heteroscedasticity test is to test whether in the regression model there is an inequality of *variance* from the *residuals* of one observation to another. A good regression model does not occur heteroscedasticity¹⁰. The *Glejser* test was the preferred technique used in this investigation to evaluate heteroscedasticity. A significant value (Sig.) of more than 0.05 was the criterion for making decisions. It may be inferred from the test findings that there is no heteroscedasticity disorder present in the data. Table 7's information makes it clear that every variable has a significance value (Sig.) greater than 0.05, suggesting. The data do not exhibit heteroscedasticity disorder.

C. Multiple Regression Analysis

Table 7. Multiple Regression Analysis Results

Model	Unstandardized β	Coefficients Std. Error
(Constant)	.241	.010
SG	-.030	.018
DER	.003	.004
CIR	.012	.019
INT	-.027	.027
RPT	-.022	.009

Source: SPSS Output 26 (2024)

⁹ Sahid Raharjo, "Learn to Practice Multivariate Analysis with SPSS IBM SPSS' Statistics", *www.konsistensi.com*, Edition 1, pp. 10.

¹⁰ Sahid Raharjo, "Learn to Practice Multivariate Analysis with SPSS IBM SPSS' Statistics", *www.konsistensi.com*, Edition 1, p.9.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

$$ETR = 0.241 - 0.030SG + 0.003DER + 0.012CIR - 0.027INT - 0.022RPT + e$$

Description:

Y	: Tax Avoidance (<i>Effective Tax Rate</i>)
α	: Constant Value
$\beta_{1,2,3,4,5}$	: Coefficient of Determination
SG	: Sales Growth
DER	: Capital Structure (<i>Debt to Equity Ratio</i>)
CIR	: Capital Intensity Ratio
INT	: Inventory Intensity
RPT	: Transfer Pricing (<i>Related Party Transaction</i>)
e	: Error

A consistent value of 0.241 is shown in Table 8 above based on multiple regression analysis. This indicates that tax avoidance will rise by 0.241 if the constant values for capital structure, inventory intensity, sales growth, and transfer price are all zero.

D. Hypothesis Test

1. Coefficient of Determination R²

Table 8. Results of the Coefficient of Determination R ²		
Model	Adjusted R Square	Conclusion
1	.045	The dependent variable has an effect of 45%, the remaining 55% is influenced by other variables

Source: SPSS Output 26 (2024)

Table 8 above demonstrates that factors such as inventory intensity, capital structure, sales growth, and transfer pricing have a combined 45% impact on tax avoidance; the remaining 55% (100% - 45% = 55%) is determined by unstudied research.

2. Anova Test (F)

Table 9. F Test Results				
Sig.	Probability	F _{count}	F _{table}	Conclusion
.037	< 0.050	2.446	> 2.28	There is an effect, and the model is worth testing

Source: SPSS Output 26 (2024)

Table 9 above indicates that the independent variable has an impact on the dependent variable, indicating that testing the model is useful. The F_{count} value of 2.446 is greater than the F_{table} value of 2.28 (df1 = 154, df2 = (154-5-1) = 148, n = 5), and the significance value is 0.037, which is greater than 0.050.

3. T Test

Table 10. T Test Results						
Hypothesis	Sig.	Criteria	T _{count}	T _{table}	Description	Results
SG	.096	> 0.050	-1.6777	< 1.97601	No effect	H ₁ is rejected
DER	.360	> 0.050	.919	< 1.97601	No effect	H ₂ is rejected
CIR	.525	> 0.050	.637	< 1.97601	No effect	H ₃ accepted
INT	.332	> 0.050	-.974	< 1.97601	No effect	H ₄ is rejected
RPT	.019	< 0.050	-2.379	< 1.97601	Influential	H ₅ accepted

Source: SPSS Output 26 (2024)

Hypothesis Testing:

Table 10 above was used to determine the following outcomes:

- a. Sales Growth has a significance value of 0.096 greater than 0.050, so sales growth has no effect on tax avoidance or hypothesis 1 is **rejected**. This could imply that a company that has an increase in sales won't engage in tax avoidance because a company that experiences a rise in sales will be more tax compliant. This research is not in line with research conducted by [4] and [5].
- b. Capital structure has a significance value of 0.360 greater than 0.050, so capital structure has no effect on tax avoidance or hypothesis 2 is **rejected**. This demonstrates that having a large debt load does not help to lower taxes; rather, it makes the company's workload heavier and discourages tax dodging. This research is not in line with research conducted by [5] and [6].
- c. Capital intensity ratio has a significance value of 0.525 greater than 0.050, so the capital intensity ratio has no effect on tax avoidance or hypothesis 3 is **accepted**. This is because the company's assets are utilized for running purposes rather than to lower tax obligations. This research is in line with research conducted by [7] and [4].
- d. Inventory intensity has a significance value of 0.332 greater than 0.050, so inventory intensity has no effect on tax avoidance or hypothesis 4 is **rejected**. This occurs because of the inventory investment being utilized to grow assets rather than to offset tax avoidance. This research is not in accordance with the results of research conducted by [2] and [1].
- e. Transfer pricing has a significance value of 0.019 smaller than 0.050, then transfer pricing affects tax avoidance or the hypothesis 5 is **accepted**. This is because the more transfer of profits to related companies (have a special relationship) will cause the income to also decrease so that it can do tax avoidance. This research is in accordance with the results of research conducted by [8] and [9].

IV. CONCLUSION

Businesses engage in a complex process known as tax avoidance, whereby they employ a range of methods and techniques to reduce their tax liabilities. Businesses usually dodge taxes because they are under pressure to make big profits, because taxes are expensive, because the tax code is complex, or because tax avoidance is enforced. Furthermore, some situations, such as excessive transfer fees, may encourage companies to avoid paying taxes. One tactic to avoid paying taxes is transfer pricing, which is shifting earnings to subsidiaries at a lower cost than the going market price to reduce income. The amount of companies that underpay their fair share of taxes, resulting in a drop in state revenue, can be addressed by enacting anti-tax avoidance rules and stepping up tax law enforcement. The purpose of this research is to improve our knowledge of avoidance and the factors that influence its application. The results of the study suggest that transfer pricing affects tax avoidance tactics. However, factors such as capital structure, sales growth, inventory intensity, and capital intensity ratio have no bearing on tax avoidance strategies. Given the constraints of the industry this study looked at, it is hoped that future researchers would investigate tax avoidance strategies in greater detail in conjunction with other research areas to provide a more thorough explanation of tax avoidance.

V. ACKNOWLEDGMENTS

The authors of the study would like to thank all their volunteers. The opportunity to present at the 5th Asia-Pacific Management Research Conference (APMRC) in 2024 is greatly appreciated by the author, who also thanks Widya Dharma University Pontianak's Institute for Research and Community Service. With this chance, the author can create ideas and thoughts from scratch and contribute experience and knowledge from writing scientific publications.

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