

THE INFLUENCE OF CORPORATE GOVERNANCE, CAPITAL INTENSITY, PROFITABILITY AND FINANCIAL DISTRESS ON TAX AVOIDANCE

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Abstract

This study aims to analyze the influence of corporate governance, capital intent, profitability, and financial distress on tax avoidance. This study uses a sample taken of manufacturing companies listed on the Indonesia Stock Exchange (www.idx.co.id) for 2023 so that a final sample of 200 observation data is obtained. The data were analyzed using SPSS software with multiple regression analysis, descriptive analysis, classical assumption test and hypothesis. The results of the test conducted by the researcher can be concluded that GCG has a significant negative effect on tax avoidance, while capital intensity has a significant positive effect on tax avoidance, then the profitability variable has a significant negative effect on tax avoidance and finally financial distress has no effect on tax avoidance of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period.

Keywords: Corporate Governance, Capital Intensity, Profitability, Financial Distress, Tax Avoidance

1. Introduction

Taxes are mandatory contributions that must be paid by citizens and business entities to the state based on the law, which is coercive and does not provide direct rewards. Tax revenues are very important for the state because they are the main source of revenue used to finance various development programs, public services, and government activities. However, in practice, not all taxpayers, especially companies, are fully compliant in paying taxes.

The usual way for companies to minimize their tax burden is by tax avoidance. Tax avoidance actions can be carried out through a tax planning mechanism. The purpose of the tax planning is to minimize the tax payable but still within the framework of applicable tax regulations. Usually, the strategies carried out in tax planning are more about taking advantage of loopholes or weaknesses in tax law

One of the challenges faced by the government is the existence of tax avoidance efforts carried out by companies. Tax avoidance is an action in which companies take advantage of loopholes in the tax system to reduce the amount of tax that must be paid legally. Although tax evasion is different from illegal tax evasion, both practices have the potential to reduce state revenues and have a negative impact on economic stability.

There are several factors that allegedly affect the level of tax avoidance, including corporate governance, capital intensity, financial distress conditions, and profitability levels. Good corporate governance, which includes transparency, accountability, and effective supervision, is expected to minimize tax avoidance behavior. However, the pressure to maximize profits often leads company management to look for ways to reduce the tax burden.

Tax evasion is an illegal act in which a person or entity deliberately avoids paying the actual tax liability, while tax avoidance is carried out by taking advantage of weaknesses

in existing regulations without violating them. Many companies are motivated to avoid taxes in order to maximize profits, which has a detrimental impact on the country. GCG is able to create effective supervision and monitoring of the company's efforts to manipulate the amount of taxes so that it remains legally valid.

The GCG mechanism is a model of relationship between the board of directors, the board of commissioners, and the GMS which aims to provide added value for shareholders continuously while focusing on the interests of shareholders based on existing rules and norms. Research by Sulistiana & Istianingsih (2018) shows that good GCG has a negative effect on tax avoidance, while research by Arianandini & Ramantha (2018) shows that institutional ownership as a proxy for GCG has no effect on tax avoidance. In decision-making, delivery of material and relevant information, the Company is expected to show transparency as a form of fulfilling good corporate governance.

Furthermore, the capital intensity of a company, which refers to the amount of fixed assets owned by the company, is also believed to have an effect on tax avoidance. Companies with large fixed assets tend to have more opportunities to leverage asset depreciation as a strategy to reduce the tax burden. Dharma & Noviyari (2017) explained that capital intensity is the amount of fixed asset and inventory investment by the company. According to Nugraha & Mulyani (2019), investment in fixed assets aims to increase profits. Companies with significantly larger assets are more inclined to have smaller tax costs, which is what drives tax avoidance. Research by Nugraha & Mulyani (2019), Dharma & Noviyari (2017), and Irianto et al. (2017) found that capital intensity had a positive influence on tax avoidance, while Budianti & Curry (2018) found a negative influence, and Okrayanti et al. (2017) found no effect.

A company's profitability, which indicates a company's ability to generate profits, is also an important factor in influencing tax avoidance. Companies with high levels of profitability may feel the need to reduce their tax liabilities in order to maintain optimal net income. Arianandini & Ramantha (2018) stated that profit as an indicator of profitability is the basis for taxation. Rosalia & Sapari (2017) explain that companies with high profits can afford to pay taxes, while companies with low profits tend to avoid taxes to reduce losses. The size of a company, according to Yuniarwati et al. (2017), can be viewed and calculated using total assets, total sales, and share price. Sjahrial's research (2017) showed that company size had a negative effect on tax avoidance, while Okrayanti et al. (2017) showed a positive influence, and Yuniarwati et al. (2017) found no effect.

Leverage also affects tax avoidance. According to Arianandini & Ramantha (2018), leverage is the use of debt as additional funds for the company's operations. Sjahrial (2017) explained that leverage is the use of fixed-cost capital to increase shareholder profits. The research of Janrosel & Efriyenti (2018) found leverage to have a positive effect, while Arianandini & Ramantha (2018) found no effect.

Financial distress, in which companies experience financial difficulties, often force companies to look for various ways to survive, including by reducing tax payments. In a situation like this, companies may be more aggressive in tax evasion in order to maintain liquidity. According to Nadhifah & Arif (2020) the company

who are facing financial distress have a tendency not to carry out tax action avoidance because it will damage the company's image. Results of the study (Pratiwi et al., 2020) and (Nadhifah & Arif, 2020) explain that financial distress has a negative effect on tax avoidance. The results mean that the greater the level of financial distress that a company has, the less likely it is that the company will take tax avoidance measures.

Based on this background, this study aims to analyze the influence of corporate governance, capital intensity, profitability and financial distress on tax avoidance. By examining these factors, it is hoped that the study can provide a deeper understanding of the factors that encourage tax avoidance practices in companies listed on the Indonesia Stock Exchange.

2. Theoretical Background

2.1 Agency Theory

Agency Theory can generally be described as a relationship between stakeholders (principal) and management (agent), where the principal hires an agent to carry out his duties, including in a contractual relationship where the principal can delegate special authority to the agent to make decisions and act on his behalf. In the context of taxation, the fiscal acts as the principal, while the taxpayer acts as an agent.

2.2 Stakeholders Theory

The Stakeholders Theory describes the company's behavior and social performance, apart from the Company's efforts to meet the needs of shareholders, the Company is expected to continue to provide added value for external and internal stakeholders.

2.3 Tax Avoidance

Tax Avoidance refers to a company's method of minimizing tax payers based on tax rules and legally taking advantage of loopholes or gray areas in tax rules and regulations. This is certainly better than tax evasion which aims to illegally evade and reduce tax payments

2.4 Corporate Governance

The OECD in 2004 explained that corporate governance is a collaboration between various parties such as directors, management, shareholders, board of commissioners, and other stakeholders. Efficient Good Corporate Governance is when management or directors take efficient actions in managing company operations. In practice, Corporate Governance is not only about how the Company makes rules so that operations run but also there are environmental and social aspects that need to be considered.

2.5 Capital Intensity

The variable capital intensity refers to the Company's investment in fixed assets that support its operations to earn profits. Sugiyanto & Fitria (2019) stated that fixed assets usually depreciate, which is a cost in accounting and can reduce a company's net income, especially in the calculation of tax burden.

2.6 Financial Distress

Financial distress, which means financial difficulties, is an event that deteriorates the financial condition of a company that will lead to bankruptcy or liquidation of a company. Financial distress conditions arise when companies experience limited funds to continue or carry out their company's operational activities again (Nadhifah & Arif, 2020). Companies have a tendency to reduce tax avoidance measures, if they experience financial distress. The reason why companies avoid tax avoidance is because the company views this action as having a fairly high risk to the company's survival.

According to (Swandewi & Noviari, 2020) the measurement of financial distress can be proxied with Altman Z-Score. This formula explains that the potential for bankruptcy of the company will be seen in the Z value. This can be seen from the Z value obtained if

$Z \geq 2.99$ means that the company is in a safe zone. If $1.81 \leq Z < 2.99$, it means that the company can be categorized in the gray zone. Furthermore, the company can be said to be in a distress condition if the Z value < 1.81 .

2.7 Profitability

High profitability can increase a company's competitiveness and allow for increased investment. The profitability ratio is used to correct the Company's performance by comparing the level of profit generated with total assets or equity.

2.8 Hypothesis Development

1) The Influence of Corporate Governance on Tax Avoidance

Previous research conducted by Sulistiana & Istianingsih (2018) found that if the company has a significant good corporate governance value, then this variable has a negative influence on tax avoidance. Therefore, the implication made by previous researchers is that well-organized corporate governance can reduce the tendency to tax avoidance. Based on previous research, the hypothesis made by the researcher is:

H1: Corporate governance has a negative effect on tax avoidance

2) The Effect of Capital Intensity on Tax Avoidance

Research by Dharma & Noviari (2017) states that capital intensity has a positive influence on tax avoidance. This can be due to the depreciation of fixed assets can reduce net income which is the basis for tax calculations. However, another result is shown by Budianti & Curry (2018) where capital intensity has a negative effect on tax avoidance. Based on previous theories and research, the hypothesis that the researcher made is:

H2: Capital intensity has a positive effect on tax avoidance.

3) The Effect of Profitability on Tax Avoidance

Research conducted by Agriantari & Purawantini (2020), Nilam & Agus (2022), Janrosli & Efriyenti (2018), and Lutfia & Aqamal (2023) states that profitability has a negative influence on tax avoidance. However, research by Rosalia & Sapari (2017) and Wahyuni et al. (2017) states that no matter how much value or level of profitability it is, it will not significantly affect tax avoidance. Based on previous theories and research, the hypothesis that the researcher made is:

H3: Profitability has a negative effect on tax avoidance

4) The Effect of Financial Distress on Tax Avoidance

Financial distress is a situation when a company experiences difficulties or shortages funds to carry out its operational activities. According to Nadhifah & Arif (2020), companies that are facing financial distress have a tendency not to carry out tax avoidance measures because it will damage the company's image. The explanation in the agency theory states that each party is considered to act to meet personal needs, especially the agent. The agent will always look for ways to keep the company's image not bad and keep the company afloat even though it is experiencing financial distress. However, shareholders or investors are worried that if the company experiences distress conditions, the money or capital they have invested in the company will be lost. The concern arises because of the high possibility that the company will go bankrupt. Results of the study (Pratiwi et al., 2020) and (Nadhifah & Arif, 2020) explain that financial distress has a negative effect on tax avoidance. The results mean that the greater the level of financial distress that a company has, the less likely it is

that the company will take tax avoidance measures. Based on the explanation above, this study forms the fourth hypothesis:

H4: Financial Distress has a negative effect on Tax Avoidance

2.9 Theoretical Framework

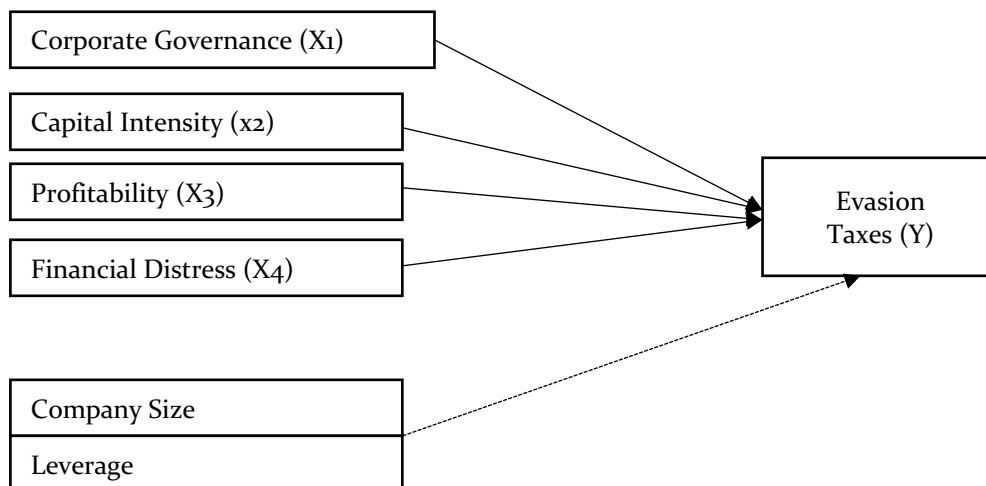


Figure 1. Theoretical Framework

3. Methods

This section describes the research design, scope or object (population and sample), data collection techniques, operational definitions of research variables, and analysis techniques.

The independent variables used by the researcher are corporate governance, capital intensity, profitability and financial distress while for the bound variables, the researcher uses tax avoidance as the main focus, then the researcher uses the control variables, namely leverage and company size. The researcher took a company engaged in manufacturing that during the period of 2019-2023 had been listed on the Indonesia Stock Exchange as the object of research and the number of samples obtained after meeting the requirements was 200 samples.

Data collection for this study uses data pooling which is data derived from time series and cross section data, where the data used is the Company's annual financial report data either from the Company's related website or from IDX. To measure the value of Corporate Governance, the researcher uses the Asean Corporate Governance Scorecard as the calculation ratio. The ratio of total fixed assets to sales is used to evaluate capital intensity, and the ratio of return on equity/capital is used to evaluate profitability. The measurement methods are described as follows:

Table 1. Measurement Method

No	Variable	Indicators
1	Tax Avoidance (CETR)	$CETR = \frac{Cash\ Tax\ Paid}{Pretax\ Income} x (-1)$
2	Corporate Governance	$ACGS = \frac{\Sigma CGI}{M}$
3	Capital Intensity (CI)	$CI = \frac{Total\ Aset\ Tetap}{Penjualan}$

4	Profitability (ROE)	$ROE = \frac{\text{Laba bersih setelah pajak}}{\text{Total Ekuitas}}$
5	Financial Distress (FD)	$Z = A + B + C + D + E$ Information: A = Current assets-current liabilities/ total assets B = Retained earnings / Total assets C = Profit before tax / Total assets D = Number of shares x Price per share / total debt E = Sales / Total Assets
6	Company Size (SIZE)	Company Size = Log(total assets)
7	Leverage (LEV)	$LEV = \frac{\text{Tota Hutang}}{\text{Total Aset}}$

Sources: Budianti & Curry (2018), Rosa & Irawan (2022), and Oktamawati (2019)

To test whether the data used is feasible to carry out a hypothesis test, it is necessary to first conduct a classical assumption test where in this test it consists of a normality test used as a data test to find out whether the data distribution is normal or not, a multicollinearity test is used as a data test to ensure that there is no correlation between independent variables, The autocorrelation test is used as a test to ensure that the residuals in the regeresi mode used by the researcher are free from correlation, and the heteroscedasticity test is used to ensure that the residual variance is constant. In addition, the determination coefficient (R^2) test is a test used to measure the degree of freedom of independent variables affecting dependent variables. The F-Test and the T-Test are part of the classical assumption tests used to determine the outcome of a hypothesis. The regression model equation is formed as below:

$$CETR = \alpha + (GCG) + \beta_2(CI) + \beta_3(ROA) + \beta_4(FD) + \beta_5(SIZE) + \beta_6(LEV) + e$$

Information:

CETR = Tax Avoidance

α = Constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ = Independent variable regression coefficient

CI = Capital Intensity

ROA = Profitability

FD = Financial distress

UP = Company Size

LEV = Leverage

e = Error

4. Results and Discussion

4.1 Descriptive Test

Table 2. Descriptive Test Result

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
CERT	200	-41,01	4,56	,0373	2,93889
GCG	200	20,39	98,45	87,0932	9,92524
CI	200	,00	4,38	,5312	,59853
ROE	200	-25,41	264,16	9,7265	40,59169
FINDIS	200	3,26	1290914766,00	37778222,5307	184802064,15

SIZE	200	9,42	14,27	12,4965	,85164
LEV	200	,03	,83	,3506	,17591
Valid N (listwise)	200				

From the results of the study, the minimum value of tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2023 period reached -41.01 while the maximum value was 4.56. Then the average value (mean) of corporate tax avoidance in manufacturing companies for the 2019-2023 period is 0.0373, meaning that the average value of all tax avoidance variables is 0.0373 with a standard deviation of 2.9388.

Furthermore, the minimum GCG value for Manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2023 period reaches 20.39 while the maximum value is 98.45. Then the average value (mean) of the company's GCG in Manufacturing companies for the 2019-2023 period is 87.093, meaning that the average value of all GCG variables is 87.093 with a standard deviation on showing a positive value of 9.925.

Furthermore, the minimum value of capital intensity in manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2023 period reaches 0.00 while the maximum value is -4.38. Then the average value (mean) of the company's capital intensity in Manufacturing companies for the 2019-2023 period is 0.5312, meaning that the average value of all capital intensity variables is 0.5312 with a standard deviation on showing a positive value of 0.5985.

Then the minimum value of profitability in Manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2023 period reached -25.41 while the maximum value was 264.16. Then the average value (mean) of the company's profitability in Manufacturing companies for the 2019-2023 period is 9.7265, meaning that the average value of all profitability variables is 9.7265 with a standard deviation showing a positive value of 40.591.

And finally, the minimum value of financial distress in manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2023 period reached 3.26 while the maximum value was -129.00. Then the average value (mean) of the company's financial distress in manufacturing companies for the 2019-2023 period is 8777.53, meaning that the average value of all financial distress variables is 8777.53 with a standard deviation showing a positive value of 8777.53.

The results of the descriptive test of the control variable, namely the size of the company, have a minimum value of 9.42, a maximum of 14.27 with a mean value of 12.496 and a standard deviation of 0.8516. Meanwhile, leverage has a minimum value of 0.03, a maximum of 0.83 with a mean value of 0.3506 and a standard deviation of 0.17591.

4.2 Classical Assumption Test

The classical assumption test used in this study consists of a normality test with the condition that the decision must be more than 0.05, then a multicollinearity test with the condition that the decision if the tolerance value is less than 1 and the VIF is less than 10 then it passes the multicollinearity test, then the heteroskedness test with the Glacier test, which is the condition for the decision must be more than 0.05 and the autocorrelation test with the Durbin Watson value between -2 to 2. Here are some classic assumption tests:

Table 3. Normality Test Results

One-Sample Kolmogorov-Smirnov Test	Criterion	Result	Information
Asymp. Sig. (2-tailed)	Sig > 0.05	0,080	Passed the normality test

Source: Data processed by SPSS, 2024

The results of the classical assumption test show that the normality test is met, by using the error normality test where it is known that the asymp value of sig of 0.080 is greater than 0.05 (alpha 5%), then Ho is accepted and concluded at the confidence level of 95% of the assumption of the normality distribution for the error variable is fulfilled.

Table 4. Multicollinearity Test Results

Variable	Tolerance	VIF	Information
GCG	,755	1,324	No Multicollinearity
CI	,864	1,158	No Multicollinearity
ROE	,691	1,447	No Multicollinearity
FINDIS	,956	1,046	No Multicollinearity
SIZE	,740	1,351	No Multicollinearity
LEV	,818	1,223	No Multicollinearity

Source: Data processed by SPSS, 2024

The results of the multicollinearity test have a VIF value below 10 and with a Tolerance value above 0.1. From the data, it can be said that the GCG variables, capital intensity, profitability and financial distress in this study are free from the multicollinearity test, because the VIF value < 10 and the Tolerance value > 0.1.

Table 5. Glacier Test Results

Variable	Glejser Test		Information
	Sig	Sig Rating	
GCG	0,224	0,05	No heteroscedasticity occurs
CI	0,319	0,05	No heteroscedasticity occurs
ROE	0,542	0,05	No heteroscedasticity occurs
FINDIS	0,319	0,05	No heteroscedasticity occurs
SIZE	0,190	0,05	No heteroscedasticity occurs
LEV	0,217	0,05	No heteroscedasticity occurs

Source: Data processed by SPSS, 2024

The results of the heteroscedasticity test are known that the significant value of the GCG variable (X1) is 0.224, while in the capital intensity variable (X2) is 0.319, then in the profitability variable (X3) is 0.542, and finally in the financial distress variable (X4) is 0.319 with a significance value of > 0.05, it can be said that the results of the glacier test have no symptoms of heteroskedasticity.

Table 6. Autocorrelation Test Results

Variable	N	DL	DU	DW	Information
Tax avoidance	200	-2	+2	1,651	No autocorrelation

Source: Data processed by SPSS, 2024

The results of the autocorrelation test showed a DW value of 1,651 with the number of GCG variables, capital intensity, profitability and financial distress as many as 4 pieces

(k=4) and a sample of 40 companies, based on the DW table above the value is located between -2 to +2 so it can be concluded that there are no autocorrelation symptoms in the regression model, or in other words the variables in this study have been free from the autocorrelation problem.

4.3 Hypothesis testing

The hypothesis test in this study consists of the F test, the determination test, and the t test, as follows:

Table 7. Test F (Global)

Test F	F	Sig	Conclusion
Sig < 0.05	4.099	0.021b	Passed the F test

Source: Data processed by SPSS, 2024

The results of the global test (F test) are known that the significance value (F-statistic) obtained is 0.02. The significance value is below 0.05, with the results of the F test obtained being smaller than the significance level ($\alpha=0.05$), so it can be concluded that the regression model of this study is feasible to use. The F value is calculated as $4.099 > 2.55$ so that it can be concluded that one of the independent variables, namely GCG, capital intensity, profitability and financial distress has the ability to influence the dependent variable, namely tax avoidance.

Table 8. Determination Test

Koef. determination	Criterion	R Square
	$0 < R^2 < 1$	0,230

Source: Data processed by SPSS, 2024

The test results in the table, it can be seen that the R square value obtained is 0.23 or 23%. The value shows that 23% of tax avoidance can be explained by GCG variables, capital intensity, profitability and financial distress. Meanwhile, the other 77% is explained by other variables.

The results of the regression analysis showed the following research model:

$$CETR = 0.098 + (0.002) GCG + 0.017 IC + (0.000) Prob + 9.483 FD + (0.007) size + 0.093 Lev + \varepsilon$$

Table 9. Hypothesis Testing

Test T	Direction	Koef	Statistics	Sig	Conclusion
Constant		0,098	1,262	0,209	
GCG => Tax avoidance	(-)	-0,002	-4,789	0,000	Accepted
Capital intensity => Tax avoidance	(+)	0,017	2,299	0,023	Accepted
Profitability => Tax avoidance	(-)	-0,000	-1,687	0,093	Accepted
Financial distress => Tax avoidance	(-)	9,483E-12	0,453	0,651	Rejected
Company size => Tax avoidance		-0,007	-1,300	0,195	
Leverage => Tax avoidance		0,093	3,668	0,000	

Source: Data processed by SPSS, 2024

The significance value of GCG is 0.000. This value is less than 0.1, so it can be concluded that the GCG variable has a significant negative effect on tax avoidance with a calculated value of -4.789 with a coefficient value of -0.002 which means that the higher the GCG, the lower the tax avoidance, so it can be concluded that the first hypothesis is accepted

At the significance value of capital intensity is 0.023. The value is less than 0.1, so it can be concluded that the capital intensity variable has a significant positive effect on tax avoidance with a calculated value of 2.299 with a coefficient value of 0.017 which means that the higher the capital intensity, the higher the tax avoidance, so it can be concluded that the second hypothesis is accepted

At the significance value of profitability is 0.093. The value is less than 0.1, so it can be concluded that the profitability variable has a significant negative effect on tax avoidance with a calculated value of -1.687 with a coefficient value of -0.000 which means that the higher the profitability, the lower the tax avoidance, so it can be concluded that the third hypothesis is accepted

At the value of financial distress significance is 0.651. The value is greater than 0.1, so it can be concluded that the variable financial distress has no effect on tax avoidance with a calculated value of 0.453 with a coefficient value of 9.483 which means that the higher the financial distress, the more it will not affect tax avoidance, so it can be concluded that the fourth hypothesis is rejected

4.4 Discussion

1) The effect of GCG on tax avoidance

The first hypothesis proposed in this study is that the GCG variable affects tax avoidance. The results showed that GCG had a t-count value of -4.789 with a significance value of 0.000 which means it was smaller than 0.1. This shows that the GCG variable has a negative effect on tax avoidance. This shows that if GCG increases, it will reduce tax avoidance for manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period.

The results of this study are in line with Sulistiana & Istianingsih (2018) finding that if the Company has a significant good corporate governance value, then this variable has a negative influence on tax avoidance. Therefore, the implication made by previous researchers is that well-organized corporate governance can reduce the tendency to tax avoidance

2) The effect of capital intensity on tax avoidance

The second hypothesis proposed in this study is that the variable of capital intensity affects tax avoidance. The results of the study show that the capital intensity has a t-calculated value of 2.299 with a significance value of 0.023 which means less than 0.1. This shows that the capital intensity variable has a positive effect on tax avoidance. This shows that the increase in capital intensity will increase tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period.

The results of this study are in line with Dharma & Noviari (2017) stating that capital intensity has a positive influence on tax avoidance. This can be due to the depreciation of fixed assets can reduce net income which is the basis for tax calculations. However, another result is shown by Budianti & Curry (2018) where capital intensity has a negative effect on tax avoidance.

3) The effect of profitability on tax avoidance

The third hypothesis proposed in this study is that the profitability variable affects tax avoidance. The results show that profitability has a t-value of -1.687 with a significance value of 0.093 which means less than 0.1. This shows that the profitability variable has a negative effect on tax avoidance. This shows that if profitability increases, it will reduce tax evasion for manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period.

The results of this study are in line with Agriantari & Purawantini (2020), Nilam & Agus (2022), Janrosl & Efriyenti (2018), and Lutfia & Aqamal (2023) stating that profitability has a negative influence on tax avoidance.

4) The effect of financial distress on tax avoidance

The fourth hypothesis proposed in this study is that the variable of financial distress has no effect on tax avoidance. The results show that financial distress has a t-value of 0.453 with a significance value of 0.651 which means greater than 0.1. This shows that the variable of financial distress has no effect on tax avoidance. This shows that if financial distress increases, it will not affect tax evasion for manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period.

The results of this study are not in line with (Pratiwi et al., 2020) and (Nadhifah & Arif, 2020) explain that financial distress has a negative effect on tax avoidance. The results mean that the greater the level of financial distress that a company has, the less likely it is that the company will take tax avoidance measures.

5. Conclusion

Based on the results of tests conducted by the researcher, it can be concluded that GCG has a significant negative effect on tax avoidance, while capital intensity has a significant positive effect on tax avoidance, then the profitability variable has a significant negative effect on tax avoidance and finally financial distress has no effect on tax avoidance of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period.

This research provides suggestions for companies that need to ensure compliance with good governance practices, such as transparency of financial statements and the involvement of independent auditors. This can reduce the risk of irregularities in tax reporting and increase stakeholder confidence. Companies need to be wiser in managing depreciation strategies and tax incentives, and companies remain proactive in monitoring financial ratios to detect potential distress early and develop mitigation strategies. For the next researcher, it is hoped that it can develop a new model that connects corporate governance, capital intensity, and financial distress more comprehensively with tax avoidance practices. Moderation or mediation variables such as company size and industry are also worth analyzing.

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