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The Effect of Capital Intensity, Company Size, Independent Commissioners, Financial Distress on Tax Avoidance

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ABSTRACT
This research aims to analyze the effect of capital intensity, company size, independent commissioners, and financial distress on tax avoidance. The study uses secondary data sourced from the financial statements of food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the period 2018–2022. A total of 23 companies were selected through purposive sampling. The study investigates four independent variables: Capital Intensity (X1), Company Size (X2), Independent Commissioners (X3), and Financial Distress (X4), with Tax Avoidance (Y) as the dependent variable. The panel data regression analysis is applied as the research method, and data processing through EViews 12 identifies the Fixed Effect Model (FEM) as the most appropriate. The results indicate that, individually, Capital Intensity, Company Size, Independent Commissioners, and Financial Distress significantly influence Tax Avoidance. Additionally, these variables collectively have a combined impact on Tax Avoidance.

Keywords: *Capital Intensity; Company Size; Independent Commissioner; Financial Distress; Tax Avoidance*

1. INTRODUCTION

Many companies consider tax to be a cost so it can affect the company's profits. Economically, tax is an element that can reduce the profits available to a company which will later be distributed as dividends or reinvested. The company aims to optimize profits by efficiently managing all types of expenses, including taxes. For example, paying tax sanctions that should not occur is a waste of company resources. Avoiding waste is optimizing the allocation of company resources to be more productive and efficient so that minimizing waste of resources can maximize performance properly. Tax is a source of state income obtained from individual or corporate taxpayers to carry out state responsibilities in various sectors of life to create prosperity for the Indonesian nation. Taxpayers who are obedient in paying taxes have helped the government and state in efforts to improve the welfare of the Indonesian people and nation, as well as participating in efforts to develop the Indonesian state in general (Indradi, 2018). Therefore, the government carries out various campaigns to increase awareness of companies and individuals in paying

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taxes (Palupy, 2022). However, efforts to increase tax revenues can be hampered by several inhibiting factors, such as tax avoidance practices. Tax avoidance is an action to reduce the tax burden by exploiting loopholes in tax regulations. Even though it is not against the law, tax evasion is a complex and unique problem because on the one hand it is not against the law, but on the other hand the government does not want tax evasion. Companies or business organizations are one of the main contributors to tax revenues, but governments and companies have different goals in terms of maximizing tax revenues. The government wants to get maximum tax revenue, while companies want to minimize the amount of tax owed.

Therefore, companies must try to regulate the amount of tax they have to pay as taxpayers (Mariani, 2020), one of which is tax avoidance. Tax avoidance is carried out by some companies because the company wants to make large profits. Even though tax avoidance can pose bad risks for business apart from fines, the company will have a bad reputation in the eyes of the public, even though this risk is not balanced with what the company obtains, especially the amount of tax which affects the size of the company's profits. This will encourage companies to avoid taxes (Panjalusman et al., 2018). If taxpayers or companies avoid taxes, the country can suffer losses because the tax budget that should be received does not match the government's estimates. The impact of this can cause economic growth to stagnate and reduce the country's economic activity. Apart from that, another consequence is the difficulty of improving people's living standards, building public infrastructure and other service work planned by the government (Artinasari & Mildawati, 2018). According to Kurniasih & Ratna Sari (2013) in (Taufik & Muliana, 2021), if many companies in Indonesia practice tax avoidance, it will have a big impact on state tax revenues. The level of realization of tax revenues will decrease because companies avoid taxes.

According to “UU No. 7 Tahun 2021 Tentang Undang-Undang Harmonisasi Peraturan Perpajakan“ (UU HPP), the tax rate will change to 22% starting from the 2022 tax year, where it was previously 20%. Especially for corporate taxpayers in the form of Limited Liability Companies (Tbk) they will get the latest tax rate, namely 19%. CVs and PTs can use the facilities contained in article 31E, namely a 50% tax rate reduction for profits of 4.8 billion (Mukminin, 2023). According to this regulation, companies experiencing financial distress can adjust their tax rates according to applicable requirements. Therefore, companies experiencing financial distress tend to report their taxes according to what is charged. The findings of this study align with the research conducted by (Suhaidar et al., 2022), which concluded that the financial distress variable negatively influences tax avoidance. However, these results differ from the findings of (Gian et al., 2022), which indicated that financial distress positively affects tax avoidance, and from the research by (Taufik & Muliana, 2021), which found that

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financial distress has no impact on tax avoidance. Based on the phenomena and research gaps above, researchers are interested in conducting research with the title "The Influence Of Capital Intensity, Company Size, Independent Commissioners, Financial Distress on Tax Avoidance".

2. LITERATURE REVIEW

2.1 Grand Theory

2.1.1 Agency Theory

Agency theory is a conceptual framework that explores the interactions between shareholders (principals) and management (agents) within a company. It explains the relationship between the agent, who manages the company, and the principal, who owns it, with both parties bound by a cooperation contract (Ayu & Sumadi, 2019). This relationship, defined in the cooperation contract, is known as an agency relationship. It occurs when the company owner grants the manager the authority to perform tasks or services on behalf of the company (Dayanara et al., 2020). Tax avoidance practices are closely tied to agency theory because it highlights the dynamic between stakeholders and management, who work together to achieve the company's goal of maximizing profits, which can lead to tax cost savings. In this context, shareholders are the principals, while management serves as the agents. The principal holds the power to delegate authority to the agent to manage the company and ensure its operations align with the principal's objectives. Agency theory has a relationship with capital intensity because increasing capital intensity can create agency conflicts. Management may choose to use resources more or less efficiently if they have personal interests that conflict with those of shareholders. On the other hand, the right capital intensity can improve company performance by expanding production capacity and growth potential. Agency theory is also related to company size because large companies may face more agency problems due to the greater separation between owners and management. Management in large companies may have more opportunities to take action without direct oversight from shareholders. On the other hand, large companies may have stricter internal controls and procedures to reduce agency risk. The inclusion of independent commissioners on the board of directors is anticipated to assist in mitigating agency conflicts between management and shareholders. Independent commissioners can provide a neutral and critical perspective on management decisions. The existence of effective independent commissioners can help increase transparency, accountability and supervision of management decisions.

2.1.2 Legitimacy Theory

Legitimacy theory is frequently referenced in social and environmental accounting (Tilling, 2004). It emphasizes corporate governance that prioritizes the interests of society, the government, individuals, and community groups. The theory underscores the existence

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of a social contract between businesses and the community, highlighting the need for transparency in social and environmental reporting. According to this theory, a company's operations should deliver benefits to society. Dowling and Pfeffer (1997, p. 122) in (Arief Wibowo & Yudni Linggarsari, 2024) explain that “organizations aim to align their activities with the social values and behavioral norms of the society in which they operate. As long as these systems are in sync, the organization can be considered legitimate. However, when a misalignment occurs, it poses a threat to the company's legitimacy.”

2.1.3 Tax Avoidance

Tax aggressiveness is something that is now very common among large companies throughout the world (Maya Syahfira Afris & Citra Windy Lubis, 2023). The tax avoidance method does not violate regulations and is legal because this method takes advantage of flaws in tax law. Tax avoidance practices carried out by the management of a company are solely to minimize tax obligations that are considered legal and result in companies having a tendency to use various methods to reduce their tax burden (Desi Rahmawati, 2021). There are several factors that motivate companies to carry out tax avoidance which can be seen through: (1) tax policy, (2) tax law, (3) tax administration. Tax avoidance measurement in this research uses the ETR measuring instrument (Ari & Sudjawoto, 2021). To measure tax avoidance, as follow:

$$ETR = \frac{Income\ Tax\ Expense}{Earning\ Before\ Tax}$$

2.1.4 Capital Intencity

Capital intensity is the ratio of a company's investment activities related to fixed assets. How much of the company's capital is allocated to fixed assets for investment is called capital intensity (Rifai & Atiningsih, 2019). Capital intensity influences depreciation expenses because fixed assets inherently depreciate annually, which lowers the company's tax burden. A reduced tax burden, in turn, can enhance company profits. A higher capital intensity ratio leads to greater depreciation expenses and increased tax avoidance efforts.

2.1.5 Company Size

According to Moeljono (2020), company size refers to the classification of a company based on the number of assets it possesses, with assets generally exhibiting a stable level of sustainability. Similarly, (Sulistyoningrum, 2019) describe company size as a scale used to categorize companies into large or small, based on various criteria such as total assets, stock market value, average sales, and the volume of sales. (Putri , 2022) further defines company size as a scale or value that distinguishes companies into large or small categories based on the total assets they own.

In this research, company size serves as a key indicator. Companies can be grouped into large or small categories based on their total assets. Larger companies typically possess

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greater total assets to support their operations. Consequently, companies classified as large tend to have a higher tax burden proportional to their asset levels, which may lead them to seek ways to minimize tax obligations.

2.1.6 Independent Commissioners

In general, the Independent Commissioner is responsible for supervising the board of directors and acting as a mediator to prevent conflicts of interest with shareholders. Therefore, Independent Commissioners play an important role in company information disclosure (Law No. 40 of 2007). A large number of Independent Commissioners is considered to increase objectivity and pressure business actors to disclose information. According to (Yustin & Effendi, 2021), at least 30% of the board of commissioners should consist of independent members. Similarly, (Sofa & Respati, 2020) emphasize that the presence of an independent board of commissioners is essential for the development and implementation of effective internal control.

2.1.7 Financial Distress

Financial distress is a condition of financial difficulty experienced by a company when the income or cash flow received is insufficient to pay debts or operational costs that must be paid. This condition can result in the risk of the company experiencing bankruptcy. To assess whether a company is in a healthy category or has the potential to experience bankruptcy, the Springate model can be used. This model is used to calculate and evaluate the company's financial condition as a reference in dealing with financial distress situations. This method was developed in 1978 by Gorgon L.V. Springate. Springate is a development of the Altman model by using Multiple Discriminant Analysis (MDA) to select four of 19 popular financial ratios so that it can distinguish between companies that are in the bankruptcy zone or the safe zone. Financial distress can be calculated using the Springate model as follows:

$$S = 1{,}03X1 + 3{,}07X2 + 1{,}66X3 + 0{,}4X4$$

Information:

$$X1 = \frac{Working\ Capital}{Total\ Asset}$$

$$X2 = \frac{EBIT}{Total\ Assets}$$

$$X3 = \frac{Earning\ Before\ Taxes}{Current\ Liabilities}$$

$$X4 = \frac{Sales}{Total\ Assets}$$

Based on the obtained S value, the potential for bankruptcy can be categorized as follows:

S < 0.862: The company is likely to face financial distress and has a risk of bankruptcy.

S > 0.862: The company’s financial condition is considered healthy, with no significant risk of financial distress or bankruptcy.

3. RESEARCH METHOD

3.1. Data Collection Techniques

The method employed for data collection in this study involves downloading financial reports of companies in the food and beverage sector from the www.idx.co.id and websites of the companies.

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3.2. Operational Definitions of Variables

3.2.1 Capital Intensity

The calculation of the capital intensity ratio refers to research as follow :

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

Fixed Assets in the Statement of Government Accounting Standards (PSAP) are tangible assets that have a useful life more than one year for use in government activities or for use by the general public.

3.2.2 Company Size

The formula for measuring company size is:

$$CS = Ln\ x\ Total\ Assets$$

The natural logarithm is defined for every positive real number a as the area under the curve y = 1/ x from 1 to a (with the area being negative when 0 < a < 1).

3.2.3 Independent Commissioners

The formula used to calculate the proportion of independent commissioners is:

$$= \frac{Total\ Independent\ Commissioners}{Total\ members\ of\ the\ board\ commissioner}$$

3.2.4 Financial Distress

Financial distress can be calculated using the Springate model as follows:

$$S = 1{,}03X1 + 3{,}07X2 + 1{,}66X3 + 0{,}4X4$$

Information:

$$X1 = \frac{Working\ Capital}{Total\ Asset}$$

$$X2 = \frac{EBIT}{Total\ Assets}$$

$$X3 = \frac{Earning\ Before\ Taxes}{Current\ Liabilities}$$

$$X4 = \frac{Sales}{Total\ Assets}$$

Based on the obtained S value, the potential for bankruptcy can be categorized as follows:

S < 0.862: The company is likely to face financial distress and has a risk of bankruptcy.

S > 0.862: The company’s financial condition is considered healthy, with no significant risk of financial distress or bankruptcy.

3.2.5 Tax Avoidence

To measure tax avoidance, this research uses ETR ratio. The formula for calculating the Effective Tax Rate (ETR) according to Amaliyah and Rachmawati (2019) is as follows:

$$ETR = \frac{Income\ Tax\ Expense}{Earning\ Before\ \ Tax}$$

3.3. Sample Collection Techniques

The population of this study consists of the financial statements (annual reports) of food and beverage companies listed on the Indonesia Stock Exchange from 2018 to 2022. The sample for this research was determined using a purposive sampling method, with the following selection criteria:

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1. Companies listed on the Indonesia Stock Exchange during the 2018-2022 period.
2. Companies not delisted within the 2018-2022 timeframe.
3. Companies that consistently published financial reports for the years 2018-2022.
4. Companies that recorded profits throughout the 2018-2022 period.

3.4. Data Analysis Techniques

The method of data analysis used in this research is associative and verification analysis. The verification analysis employs panel data regression analysis (pooled data).

Panel data was chosen because this research uses a time span of several periods and also involves many companies. Firstly, time series data is used because this research uses a five year time span from 2019-2022. Then use Cross Section because this research takes data from various food and beverage companies listed on the Indonesia Stock Exchange which are used as samples. This research was processed using Eviews 12 SV (x64). Data analysis techniques include descriptive data analysis, panel data regression analysis, panel data regression model selection, classical assumption testing and hypothesis testing.

4. RESULTS AND DISCUSSION

4.1. Results

Tabel 1: Descriptive Statistics

	ETR	CI	SIZE	KI	FD
Mean	0.253211	0.323635	29.45280	0.366242	4.778815
Median	0.234226	0.328933	29.12441	0.333333	3.618051
Maximum	0.863180	0.762247	32.82638	0.600000	25.38798
Minimum	0.051465	0.000458	27.33972	0.000000	0.633792
Std. Dev	0.102933	0.178879	1.546692	0.073716	4.027577
Skewness	3.957700	0.198805	0.305963	8.710816	2.582691
Kurtosis	21.73263	2.759125	1.938054	8.710816	12.21805
Jarque-Bera	1981.665	1.035553	7.197961	156.3089	535.0073
Probability	0.000000	0.595844	0.027352	0.000000	0.000000
Sum	29.11932	37.21799	3387.072	42.11786	549.5637
Sum Sq. Dev	1.207858	3.647733	272.7172	0.619488	1849.237
Observations	115	115	115	115	115

Source: Proceed by E-views, 2024

Referring to the data presented in Table 4.1, the descriptive statistics reveal the following:

The ETR variable has a minimum value of 0.051465, observed for PT. Nipom Indosari Corpindo Tbk in

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2020, and a maximum value of 0.863180 for PT. Buyung Poetra Sembada Tbk in 2022. The average value is 0.253211, with a standard deviation of 0.102933. Since the standard deviation is smaller than the mean, the data is consistent and exhibits no significant variation.

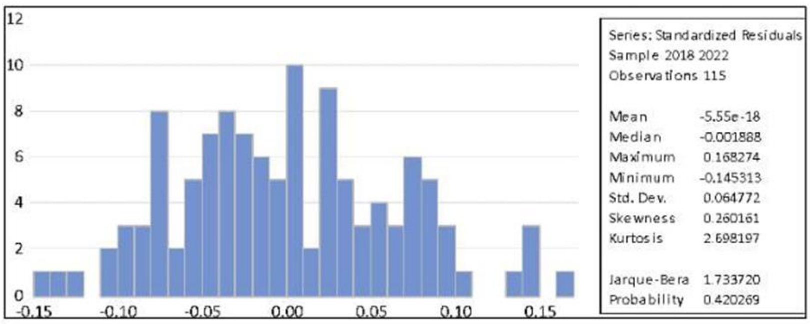
The CI Capital Intensity variable has a minimum value of 0.000458 seen from the Capital Intensity presentation of the company Charoen Pokphand Indonesia Tbk in 2020 and a maximum value of 0.762247 Sariguna Primatirta Tbk. in 2021, it can be seen from the average that the mean is 0.323635 which is greater than the standard deviation, namely 0.178879, meaning the data is stable, even and there are no deviations.

The company size SIZE variable has a minimum value of 27.33972 seen from the company size presentation of the company Sekar Laut Tbk. in 2018 and a maximum value of 32.82638 for the Indofood Sukses Makmur Tbk company. in 2022, it can be seen from the average that the mean is 0.253211 which is greater than the standard deviation, namely 0.102933, meaning the data is stable, even and there are no deviations.

The KI variable for independent commissioners has a minimum value of 0.000000 seen from the presentation of independent commissioners owned by the company Sekar Laut Tbk. in 2022 and a maximum value of 0.600000 for the company Astra Agro Lestari Tbk. in 2020, it can be seen from the average that the mean is 0.366242, which is greater than the standard deviation, namely 0.073716, meaning the data is stable, even and there are no deviations.

The FD Financial Distress variable has a minimum value of 0.633792 which is owned by PT. Dharma Satya Nusantara Tbk in 2019, maximum value 25.38798 owned by PT. Wilmar Cahaya Indonesia Tbk. In 2022, the average (mean) value of 4.778815 is greater than the standard deviation, namely 4.027577, meaning the data is stable, even and there are no deviation.

Picture 1 : Normality Test



Source: Proceed by E-views, 2024

The normality test above can be seen if the JB probability value obtained is 0.420269, where this value is greater than 0.05 (0.420269

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> 0.05), which means the research data is normally distributed.

Table 2 ; Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob
c	0.326364	0.793123	0.411493	0.6817
CI	0.126167	0.075947	1.661249	0.1002
SIZE	-0.009632	0.026276	-0.366564	0.7148
KI	-0.113293	0.098697	-1.147889	0.2541
FD	-0.000223	0.001716	-0.129716	0.8971

Source: Proceed by E-views, 2024

Based on table 3, it shows the probability that each variable has a value greater than 0.05. So it can be concluded that H0 is accepted, namely that there is no heteroscedasticity problem.

Table 3 : Multicollinearity Test

	CI	SIZE	KI	FD
CI	1.000000	-0.129594	-0.047438	-0.354559
SIZE	-0.129594	1.000000	0.489057	-0.342847
KI	-0.047438	0.489057	1.000000	-0.196957
FD	-0.354559	-0.342847	-0.196957	1.000000

Source: Proceed by E-views, 2024

From the results of the multicollinearity test in table 4, it can be concluded that there are no symptoms of multicollinearity between the independent variables. This is because the correlation value between independent variables is no more than 0.9.

Table 4 : Autocorrelation Test

Cross-section fixed (dummy variables)			
R-squared	0.499272	Mean dependent var	0.253211
Adjusted R-squared	0.351329	S.D. dependent var	0.102933
S.E.of regression	0.082903	Akaike info criterion	-1.940333
Sum squared resid	0.604809	Schwarz criterion	-1.295871
Log likelihood	138.5691	Hannan-Quinn criter	-1.678749
F-statistic	3.374769	Durbin-Watson stat	1.883965
Prob (F-statistic)	0.000011		

Source: Proceed by E-views, 2024

Based on table 5, the results of the autocorrelation test show that the Durbin-Waston (d) value is 1.883965. The sample size is N =

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115 and k = 4, so that dU is 1.7683 and dL is 1.6246. In this study, the value of dU < DW < 4-dU (1.7683 < 1.883965 < 2.2317) means that in the autocorrelation test no autocorrelation symptoms occurred.

Table 5 : Simultan F

Cross-section fixed (dummy variables)			
R-squared	0.499272	Mean dependent var	0.253211
Adjusted R-squared	0.351329	S.D. dependent var	0.102933
S.E.of regression	0.082903	Akaike info criterion	-1.940333
Sum squared resid	0.604809	Schwarz criterion	-1.295871
Log likelihood	138.5691	Hannan-Quinn criter	-1.678749
F-statistic	3.374769	Durbin-Watson stat	1.883965
Prob (F-statistic)	0.000011		

Source: Proceed by E-views, 2024

From the results presented in Table 4.15, analyzed using the simultaneous test model (F test), the number of observations is 115, with five independent and dependent variables and a significance level (alpha) of 5%. The calculated F-value (Fcount) is 3.374769. To determine the critical F-value (Ftable), the sample size (n) is 115, the number of variables (k) is 5, with degrees of freedom dfl = k-1 = 4 and df2 = n-k = 110. The corresponding Ftable value is 2.45. Since the Fcount value of 3.374769 exceeds the Ftable value of 2.45, the alternative hypothesis (Ha) is accepted, and the null hypothesis (H0) is rejected. This indicates that the independent variables collectively have a significant impact on the dependent variable. Therefore, it can be concluded that capital intensity, company size, independent commissioners, and financial distress collectively influence tax avoidance.

Table 6 : Partial t

Cross-section fixed (dummy variables)			
R-squared	0.499272	Mean dependent var	0.253211
Adjusted R-squared	0.351329	S.D. dependent var	0.102933
S.E.of regression	0.082903	Akaike info criterion	-1.940333
Sum squared resid	0.604809	Schwarz criterion	-1.295871
Log likelihood	138.5691	Hannan-Quinn criter	-1.678749
F-statistic	3.374769	Durbin-Watson stat	1.883965
Prob (F-statistic)	0.000011		

Source: Proceed by E-views, 2024

Based on the results seen in table 7 above using the partial test model (t-test), it can be seen that the number of sample data (n) = 115; number of variables (k) = 5; significant tariff α = 0.05 df = n-k = 115-5 = 110, so the ttable value at n = 110 and k = 5 with a sig level of 5% (0.05) in the two-sided significance test is 1.98177 in table 4.16 above is known as follows:

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1. Capital intensity (CI) variable tcount value 2.088276 and ttable of 1.98177 with a positive direction where the tcount value 2.088276> 1.98177 and when viewed from the probability value of 0.0397 where the value of 0.0397 <0.05 which means that tax aggressiveness has an effect on tax avoidance.
2. The company size variable (SIZE) has a calculated t value of -2.066053 and a t table of 1.98177 with a negative direction where the calculated t value is -2.066053 <1.98177 and when viewed from the probability it is 0.0418 where the value of 0.0418 <0.05 which means that the size of the company has an effect on tax avoidance.
3. The independent commissioner variable (KI) has a calculated t value of 0.042748 and a t table of 1.98177 with a positive direction where the calculated t value is 0.042748 <1.98177 and when viewed from the probability it is 0.9660 where the value of 0.9660> 0.05 which means that independent commissioners do not affect tax avoidance.
4. The financial distress (FD) variable has a calculated t value of -0.071100 and a t table of 1.98177 with a negative direction where the calculated t value is -0.071100 <1.98177 and when viewed from the probability it is 0.9435 where the value of 0.9435> 0.05 which means that independent commissioners have no effect on tax avoidance.

Table 7 : R-Square

Cross-section fixed (dummy variables)			
R-squared	0.499272	Mean dependent var	0.253211
Adjusted R-squared	0.351329	S.D. dependent var	0.102933
S.E.of regression	0.082903	Akaike info criterion	-1.940333
Sum squared resid	0.604809	Schwarz criterion	-1.295871
Log likelihood	138.5691	Hannan-Quinn criter	-1.678749
F-statistic	3.374769	Durbin-Watson stat	1.883965
Prob (F-statistic)	0.000011		

Source: Proceed by E-views, 2024

The adjusted r-square value is 0.351329. This means that tax avoidance that can be explained by the independent variables of capital intensity (CI), company size (SIZE), independent commissioners (KI) and financial distress (FD) is 35% while the remaining 65% is determined by other factors not examined in this study.

4.2. Discussion

The research findings on the influence of the independent variables—Capital Intensity, Company Size, Independent

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Commissioners, and Financial Distress—on the dependent variable of Tax Avoidance were analyzed using Eviews 12 software. Both simultaneous and partial analyses were conducted. The discussion of these findings is presented as follows:

The Effect of Capital Intensity, Company Size, Independent Commissioners, and Financial Distress on Tax Avoidance.

The Prob F statistic value of 0.000011 is less than 0.05, indicating that the variables CI, SIZE, KI, and FD collectively influence Y. From the coefficient of determination test, it can be concluded that capital intensity, company size, independent commissioners, and financial distress impact tax avoidance. This suggests that these factors contribute to corporate tax avoidance behaviors. Specifically, a higher capital intensity ratio increases depreciation expenses, leading to greater tax avoidance. Similarly, company size, measured by total assets, influences tax avoidance practices. A low proportion of independent commissioners in the board weakens oversight, providing opportunities for tax avoidance. Additionally, significant financial distress in a company can motivate it to engage in tax avoidance.

The Effect of Capital Intensity on Tax Avoidance.

Referring to Table 7, the results indicate that the significance of the Capital Intensity variable has a p-value of 0.0397, which is less than the significance level of 5% (0.0397 < 0.05). This implies that H1 is accepted, meaning capital intensity significantly influences tax avoidance disclosure. In the context of agency theory, this suggests a divergence of interests between the agent and the principal. Specifically, agents may prioritize maximizing profits, while principals might face reduced tax obligations. This divergence can be exploited through depreciation expenses derived from fixed asset investments. A higher capital intensity ratio results in increased depreciation expenses, which, in turn, heightens tax avoidance activities. Thus, companies with higher fixed asset intensity are more likely to engage in tax avoidance practices. These findings align with the studies of (Zainuddin & Anfas, 2021), which concluded that capital intensity negatively impacts tax avoidance. However, it contrast with the research of (Wulandari, 2021), which found a positive relationship between capital intensity and tax avoidance.

The Effect of Company Size on Tax Avoidance.

The second hypothesis suggests that the variable SIZE, representing company size, has a significance value of 0.0418, which is less than α = 5% (0.0418 < 0.05). This indicates that, statistically, company size has an impact on tax avoidance disclosure, leading to the acceptance of H2. In the context of agency theory, management in larger companies might have more opportunities to act without direct

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oversight from shareholders. However, larger companies may also implement stricter internal controls and procedures to mitigate agency risks. This implies that as a company's total assets increase, its size—measured by the total assets it owns—can influence its approach to tax avoidance. Specifically, the greater the total assets, the higher the likelihood of tax avoidance.This conclusion aligns with research conducted by (Leksono et al., 2019), which found that company size negatively affects tax aggressiveness. Conversely, studies by (Yuliana & Wahyudi, 2018), and (Malau, 2021) reported that company size positively impacts tax aggressiveness.

The Effect of Independent Commissioners on Tax Avoidance.

The third hypothesis indicates that the KI variable, representing independent commissioners, has a value of 0.9660, which exceeds the significance threshold of α = 5% (0.9660 > 0.05). This suggests that, statistically, the company size variable doesn't influence tax avoidance disclosures, leading to the rejection of H2. According to legitimacy theory, the presence of independent commissioners on the board is seen as an effort to enhance corporate legitimacy by promoting transparency, ethical practices, and accountability in decision-making. Consequently, independent commissioners are unlikely to impact tax avoidance, as their role is to remain neutral, overseeing and advising company management. This finding aligns with the research by (Masrurroch et al., 2021) and (Alfina et al., 2018), which concluded that independent commissioners positively influence tax avoidance. However, it contradicts the findings of (Triyanti et al., 2020), which demonstrated no effect of independent commissioners on tax avoidance.

The Effect of Financial Distress on Tax Avoidance.

The fourth hypothesis examines the relationship between financial distress (FD) and tax avoidance. The FD variable has a value of 0.9435, which is greater than the significance level of α = 5% (0.9435 > 0.05). This indicates that, statistically, financial distress does not influence tax avoidance disclosure, leading to the rejection of H4. Financial distress can exacerbate agency conflicts, prompting management to make speculative or potentially harmful decisions to avoid bankruptcy or significant financial losses. During financial distress, closer monitoring of the interactions between shareholders and management is essential to ensure decisions align with the long-term interests of the company and its shareholders.

When financial distress becomes severe, a company may face losses due to bankruptcy threats or achieve only minimal profits. In such scenarios, tax obligations are either significantly reduced or eliminated, as lower profits result in lower tax liabilities. This finding aligns with (Gian et al., 2022), who found that financial distress positively influences tax avoidance, and

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(Taufik & Muliana, 2021), who concluded that financial distress has no effect on tax avoidance. However, it contrasts with (Suhaidar et al., 2022), who reported a negative relationship between financial distress and tax avoidance..

5. CONCLUSION

This study reveals that capital intensity, company size, independent commissioners, and financial distress collectively influence tax avoidance. Capital intensity significantly impacts tax avoidance, as higher fixed asset intensity tends to correlate with greater tax avoidance practices. Similarly, company size has a significant effect, with larger companies—measured by total assets—engaging in higher levels of tax avoidance. Conversely, the proportion of independent commissioners does not significantly influence tax avoidance. This suggests that independent commissioners, being neutral and focused on oversight and guidance for company management, do not directly impact tax avoidance behavior. Additionally, financial distress does not have a significant effect on tax avoidance. Companies in financial distress either face losses or generate minimal profits, reducing their tax liabilities. This indicates that companies nearing bankruptcy may carry little to no tax burden due to their limited profitability.

LIMITATION

The conducted research has certain limitations, such as focusing solely on companies in the food and beverage sector and examining four specific variables , namely capital intensity, company size, independent commissioners, and financial distress that believed to have an influence on tax avoidance.

SUGGESTION

Given the limitations of this study, the following recommendations are proposed for future research:

1. Future studies are encouraged to include additional independent variables that could influence tax avoidance, such as sales growth, transfer pricing, deferred tax liabilities, and others. The current research indicates that many factors beyond the variables studied may affect tax avoidance. Expanding the research sample to include industries beyond food and beverage companies is also suggested to provide broader insights.
2. It is recommended that company management pay closer attention to factors influencing tax avoidance, particularly company size. Larger companies tend to exercise greater caution in tax-related matters due to stricter internal oversight and heightened scrutiny from the public, government, and investors. This increased attention puts pressure on large companies to maintain credible financial reporting and avoid tax avoidance practices to preserve their reputation and garner positive public perception.
3. Researchers should consider increasing the sample size and including companies from various industries listed on the Indonesian Stock Exchange, rather than focusing solely on the food and

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beverage sector. Additionally, extending the study period to six years or more, or narrowing it for more focused analysis, could enhance the depth of findings. Employing alternative research methods may also provide more robust and authentic results. Conclusions should address the research questions directly, while recommendations should be practical, specifying the intended audience and actions, and presented in essay format rather than numbered lists.

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