Faculty of Economics and Business
Universitas Pamulang

INTERNASIONAL CONFERENCE & CALL FOR PAPER
ECONOMICS, BUSINESS, INNOVATION AND CREATIVITY (EBIC), 30th April 2025
Vol: 2 No.: 1 No. E- ISSN: 3025-4086

THE EFFECT OF DEFERRED TAX EXPENSES, CAPITAL INTENSITY AND MANAGEMENT COMPENSATION ON TAX AVOIDANCE (Empirical Study On Non Cyclicals Consumer Sector Companies In The Food and Beverage Subsector 2019-2023)

Ransiska Ovalita, Eka Oktapiani
Pamulang University
Email : orhansiska@gmail.com, dosen01147@unpam.ac.id

ABSTRACT

This study aims to analyze the effect of deferred tax expenses, capital intensity and management compensation on tax avoidance. The population of this study used consumer non cyclicals sector companies in the food and beverage subsector listed on the Stock Exchange (IDX) in 2019-2023. This type of reseacrh is quantitative research with secondary data sources. The sampling technique used in this study uses purposive sampling technique and obtains a research sample of 15 companies. The analysis method used is panel data regression analysis with data processing using the Eviews version 10 program. The results of the study indicate that in the simultaneous test, deferred tax expenses, capital intensity and management compensation have an effect on tax avoidance. The results of the study on the partial test indicate that deferred tax expenses and management compensation have no effect on tax avoidance, while capital intensity has an effect on tax avoidance.

Keywords: *Deferred Tax Expense, Capital Intensity, Management Compensation, Tax Avoidance.*

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh beban pajak tangguhan, intensitas modal dan kompensasi manajemen terhadap penghindaran pajak. Populasi penelitian ini menggunakan perusahaan sektor konsumen non siklus pada subsektor makanan dan minuman yang terdaftar di Bursa Efek (BEI) tahun 2019-2023. Jenis penelitian ini adalah penelitian kuantitatif dengan sumber data sekunder. Teknik pengambilan sampel yang digunakan dalam penelitian ini menggunakan teknik purposive sampling dan memperoleh sampel penelitian sebanyak 15 perusahaan. Metode analisis yang digunakan adalah analisis regresi data panel dengan pengolahan data menggunakan program Eviews versi 10. Hasil penelitian menunjukkan bahwa pada pengujian simultan, beban pajak tangguhan, intensitas modal dan kompensasi manajemen berpengaruh terhadap penghindaran pajak. Hasil penelitian pada pengujian parsial menunjukkan bahwa beban pajak tangguhan dan kompensasi manajemen tidak berpengaruh terhadap penghindaran pajak, sedangkan intensitas modal berpengaruh terhadap penghindaran pajak.

Kata Kunci: Beban Pajak Tangguhan, Intensitas Modal, Kompensasi Manajemen, Penghindaran Pajak.

1. INTRODUCTION

Tax avoidance is a legal practice carried out by companies to minimize tax burdens. However, it can reduce state revenue and disrupt financial stability. The case of PT Japfa Comfeed Indonesia Tbk illustrates how companies exploit differences in tax regulations to reduce their tax obligations, although the court ultimately ruled that the company must pay the outstanding tax.

Several factors influence tax avoidance, including deferred tax expenses, capital intensity, and management compensation. Studies on the effect of deferred tax expenses on tax avoidance show mixed results, with some finding no impact while others indicate a positive correlation. Capital intensity is another factor that can encourage tax avoidance, particularly through investments in fixed assets, which allow companies to reduce taxable income. However, research on the relationship between capital intensity and tax avoidance remains inconsistent. The final factor, management compensation, can either positively or negatively influence tax avoidance, depending on how compensation is structured and how agency relationships are managed within the company.

Overall, although tax avoidance is not illegal, it harms the state by reducing tax revenue. Therefore, stricter policies and effective strategies are needed to address tax avoidance practices, along with incentives that can curb opportunistic corporate behavior in avoiding taxes.

2. LITERATURE REVIEW

The theory used in this study is agency theory, which explains the relationship between the principal, namely the shareholders, and the agent, namely the company's management. The study conducted by Cendani & Sofianty (2022) found that deferred tax expense has a positive impact on tax avoidance. This means that a higher deferred tax expense results from negative corrections due to past deferred taxes, leading to an increase in the total tax burden. Based on the research by Firdaus & Poerwati (2022), capital intensity has a significant positive effect on tax avoidance. Investments in fixed assets by companies lead to depreciation expenses, which in turn reduce the amount of tax paid by the company. Meanwhile, the study by Putri & Setiawati (2021) found that management compensation has a positive effect on tax avoidance. Providing compensation can motivate managers to minimize the company’s effective tax rate, indicating a positive relationship between management compensation and tax avoidance.

Tax Avoidance

According to Jalil et al. (2024) in the book *Fundamentals of Taxation*, tax avoidance is an action taken by taxpayers to reduce their tax obligations by exploiting loopholes in tax regulations. Meanwhile, according to Farida et al. in Safitri & Rizal (2023), tax avoidance is a legal effort or strategy that utilizes weaknesses in tax laws and regulations.

Although tax avoidance is permitted and considered a legal practice, it is not encouraged by the government as it can be detrimental to the state. Additionally, tax avoidance poses risks to companies, including potential sanctions, fines, and reputational

damage. Based on the definitions above, tax avoidance can be concluded as a practice in which taxpayers minimize the tax expenses they must pay to the state without violating applicable regulations.

Deffered Tax Expenses

According to Harnanto in Erlin et al. (2023), deferred tax expense is defined as an expense that arises due to temporary differences between accounting profit (profit reported in financial statements for external parties) and fiscal profit (profit used as the basis for tax calculation).Wijaya et al. (2017:38), in the book *Intermediate Accounting* (Saeni et al., 2024), also define deferred tax expense as an expense that arises due to temporary differences between accounting profit and fiscal profit.

In this study, the calculation of deferred tax expense is determined by dividing the total assets from the previous year by the deferred tax expense of the current year. Theoretically, a high deferred tax expense will result in lower corporate income tax payments than they should be. Based on the definitions above, it can be concluded that deferred tax expense is a tax expense that arises due to temporary differences, leading to discrepancies between reported tax and the actual tax that must be paid according to tax regulations. The formula for deferred tax expense used to measure tax avoidance is :

Deffered Tax Expense (DTE) = Deffered Tax Expense / Total Assets t-1

Capital Intensity

According to Sahara (2022), capital intensity is the ratio of a company's investment activities related to fixed assets (capital intensity) and inventory (inventory intensity).Firdaus & Poerwati (2022), in their research, define capital intensity as the extent to which a company invests its assets in fixed assets. Through capital intensity, companies can engage in tax avoidance practices by investing in fixed assets and utilizing depreciation expenses as a deduction from taxable income. This reduces the company's taxable profit, ultimately lowering the amount of tax that must be paid.

Based on the definitions above, capital intensity is a ratio that describes the extent to which a company allocates its asset investments in fixed assets. Companies with high capital intensity tend to use depreciation expenses as a strategy to reduce tax liabilities. Therefore, the higher the capital intensity, the greater the potential for tax avoidance by the company. Capital intensity can be calculated using the following formula :

Capital Intensity = Total Fixed Assets / Total Assets

Management Compensation

According to Putri & Setiawati (2021), management compensation is a reward for employees' performance who have contributed to the company, typically in the form of wages or salaries, incentives, and benefits. The provision of compensation can enhance employees' performance, optimizing company productivity.

According to Cahyani in Darma (2021), compensation management is the process of developing and implementing strategies, policies, and compensation plans that help an organization achieve its goals by attracting and retaining the necessary talent while also enhancing their motivation and commitment. The purpose of compensation is to align the interests of shareholders with those of company managers.

Based on the definitions above, it can be concluded that management compensation is the reward given by a company to its employees as recognition of their performance. Management compensation can be calculated using the following formula :

KM = Ln (Total Compensation Received by the Board of Directors)

3. DATA AND RESEARCH TECHNIQUE ANALISYS

This study employs an associative research type with a quantitative approach. The data source used in this study is secondary data in the form of annual financial reports from companies listed on the Indonesia Stock Exchange (IDX) for the period 2019–2023.

Descriptive Statistical Analysis

According to Ghozali (2018), descriptive statistics is a test that provides an overview or description of data based on statistical measures such as mean, standard deviation, variance, maximum, minimum, sum, rank, kurtosis, and skewness (distribution symmetry). The purpose of descriptive statistical analysis is to understand the data distribution within this study.

Panel Data Estimation Model Analysis

The estimation of panel data regression models aims to calculate the regression model parameters, which include the constant or intercept value (α) and the regression coefficient or slope (βi). The use of panel data in regression can result in different constants and regression coefficients for each company and each period. The estimation of panel data regression models can be conducted through three approaches: Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM).

Classical Assumption Test

The classical assumption test is a statistical requirement that must be met in multiple linear regression analysis based on the ordinary least squares (OLS) method. It aims to ensure that the data is normally distributed and that the regression model does not exhibit autocorrelation, multicollinearity, or heteroscedasticity. The classical assumption tests used in this study include the multicollinearity test and the heteroscedasticity test.

Panel Data Regression Analysis

Panel data regression analysis is a combination of time series data and cross-sectional data. This analysis is useful for explaining the relationship between independent and dependent variables. This study utilizes time series data, which includes observations of one or more variables within a single observation unit over a specific period, namely five years (2019–2023).

Hypothesis Testing

Hypothesis testing is conducted to determine whether a hypothesis can be accepted or rejected. This study employs three types of hypothesis testing: Determination Coefficient Analysis, Simultaneous Test (F-Test), and Partial Test (t-Test).

4. RESULT AND DISCUSSION

Analysis of the results of this research will be in the form of outlines in table 1 to table 10 :

Descriptive Statistical Analysis

Table 1 : Descriptive Statistical Analysis Test Result

	Y	X1	X2	X3
Mean	0.252883	0.003221	0.516569	24.95943
Median	0.236982	0.002135	0.547424	24.84800
Maximum	0.814617	0.019911	0.836008	28.38200
Minimum	0.007707	0.000149	0.078367	21.12000
Std. Dev.	0.121487	0.003237	0.226244	1.706468
Skewness	2.747905	2.225535	-0.298686	0.013226
Kurtosis	14.12367	10.80683	1.910709	2.598895
Jarque-Bera	481.0625	252.3706	4.823150	0.504952
Probability	0.000000	0.000000	0.089674	0.776875
Sum	18.96622	0.241549	38.74269	1871.957
Sum Sq. Dev.	1.092165	0.000775	3.787793	215.4905
Observations	75	75	75	75

Th
e results of the descriptive statistical analysis test displayed in the table above show that the number of data used in this study is 75 data. The following are the details of the results of the descriptive statistical test: The variables of tax avoidance (Y), capital intensity (X2) and management compensation (X3), the results of this study indicate that the standard deviation value is smaller than the mean value, which means that the distribution of data in the tax avoidance variable is even. while the deferred tax expenses (X1) variable shows that the standard deviation value is greater than the mean value, which means that the distribution of data in the deferred tax expenses variable is uneven, this is because the difference between one data and another is greater than the average value.

Panel Data Estimation Model Analysis

Table 2 : Commond Effect Model (CEM)

Dependent Variable: Y (TA)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.556081	0.207706	2.677254	0.0092
X1	-3.796808	2.104272	-1.804333	0.0754
X2	0.152786	0.067933	2.249074	0.0276
X3	-0.014820	0.008873	-1.670199	0.0993

R-squared	0.071526	Mean dependent var	0.252883
Adjusted R-squared	0.032295	S.D. dependent var	0.121487
S.E. of regression	0.119509	Akaike info criterion	-1.358996
Sum squared resid	1.014046	Schwarz criterion	-1.235396
Log likelihood	54.96234	Hannan-Quinn criter.	-1.309644
F-statistic	1.823197	Durbin-Watson stat	1.326240
Prob(F-statistic)	0.150726		

Source : Data Processed *Eviews* 10 (2025)

The table above shows that the common effect model has a constant coefficient of 0.556081, the coefficient of variable X1, namely deferred tax burden, is -3.796808, the coefficient of variable X2, namely capital intensity, is 0.152786 and the coefficient of variable X3, namely management compensation, is -0.014820.

Table 3 : Fixed Effect Model (FEM)

Dependent Variable : Y (TA)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.324707	0.916612	-0.354246	0.7245
X1	-3.451973	3.770210	-0.915592	0.3637
X2	0.656950	0.322926	2.034365	0.0466
X3	0.009990	0.039608	0.252224	0.8018

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.366248	Mean dependent var	0.252883
Adjusted R-squared	0.177235	S.D. dependent var	0.121487
S.E. of regression	0.110196	Akaike info criterion	-1.367547
Sum squared resid	0.692162	Schwarz criterion	-0.811350

Log likelihood	69.28301	Hannan-Quinn criter.	-1.145464
F-statistic	1.937681	Durbin-Watson stat	1.837735
Prob(F-statistic)	0.032688		

Source : Data Processed *Eviews* 10 (2025)

Table 3 shows that the fixed effect model has a constant coefficient of -0.324707, the coefficient of variable X1, namely deferred tax burden, is -3.451973, the coefficient of variable X2, namely capital intensity, is 0.656950 and the coefficient of variable X3, namely management compensation, is 0.009990.

Table 4 : Random Effect Model (REM)

White cross-section standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.548252	0.309932	1.768944	0.0812
X1	-3.608673	2.436371	-1.481167	0.1430
X2	0.168598	0.102280	1.648398	0.1037
X3	-0.014858	0.013363	-1.111863	0.2699

Effects Specification

	S.D.	Rho
Cross-section random	0.053058	0.1882
Idiosyncratic random	0.110196	0.8118

Weighted Statistics

R-squared	0.050026	Mean dependent var	0.172099
Adjusted R-squared	0.009886	S.D. dependent var	0.110491
S.E. of regression	0.109944	Sum squared resid	0.858225
F-statistic	1.246288	Durbin-Watson stat	1.562720
Prob(F-statistic)	0.299478		

Source : Data Processed *Eviews* 10 (2025)

Table 4 shows that the random effect model has a constant coefficient of 0.548252, the coefficient of variable X1, namely deferred tax burden, is -3.608673, the coefficient of variable X2, namely capital intensity, is 0.168598 and the coefficient of variable X3, namely management compensation, is -0.014858.

Classical Assumption Test

Table 5 : Multicollinearity Test Results

	X1	X2	X3
X1	1.000000	0.140132	0.161356
X2	0.140132	1.000000	0.521070
X3	0.161356	0.521070	1.000000

Source : Data Processed *Eviews* 10 (2025)

Based on the results of the multicollinearity test in table 5 above, there is no correlation value of each independent variable that exceeds 0.90 or <0.90, so it can be concluded that there is no multicollinearity of each independent variable.

Table 6 : Heteroskedasticity Test Results

Heteroskedasticity Test: White

F-statistic	1.250400	Prob. F(9,65)	0.2810
Obs*R-squared	11.06859	Prob. Chi-Square(9)	0.2710
Scaled explained SS	61.61278	Prob. Chi-Square(9)	0.0000

Source : Data Processed *Eviews* 10 (2025)

Based on the results of the heteroscedasticity test in table 6 above which was tested using the white method, it is known that the value of the Chi-Square Prob. on Obs*R-Squared is 0.2710 > 0.05, so it can be concluded that there is no heteroscedasticity problem.

Panel Data Regression Analysis

Table 7 : Panel Data Regression Analysis Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.324707	0.916612	-0.354246	0.7245
X1	-3.451973	3.770210	-0.915592	0.3637
X2	0.656950	0.322926	2.034365	0.0466
X3	0.009990	0.039608	0.252224	0.8018

Source : Data Processed *Eviews* 10 (2025)

Based on the Multiple Linear Regression Analysis in table 7 above, it is known that the results of the regression equation from the regression analysis carried out on the research variables are:

Y = -0.324707 - 3451973X1 + 0.656950X2 + 0.009990X3 + e

Hypothesis Testing

Table 8 : Determination Coefficient Test Results

R-squared	0.366248	Mean dependent var	0.252883
Adjusted R-squared	0.177235	S.D. dependent var	0.121487
S.E. of regression	0.110196	Akaike info criterion	-1.367547
Sum squared resid	0.692162	Schwarz criterion	-0.811350
Log likelihood	69.28301	Hannan-Quinn criter.	-1.145464
F-statistic	1.937681	Durbin-Watson stat	1.837735
Prob(F-statistic)	0.032688		

Source : Data Processed *Eviews* 10 (2025)

Based on the Determination Coefficient Test in table 8 above, it can be seen that the Adjusted R-Squared shows a value of 0.177235 or 18%. This means that deferred tax burden, capital intensity and management compensation have an influence of 18% on tax avoidance, while the remaining 82% is influenced by other variables not examined in this study.

Table 9 : Simultaneous Test Results (F)

R-squared	0.366248	Mean dependent var	0.252883
Adjusted R-squared	0.177235	S.D. dependent var	0.121487
S.E. of regression	0.110196	Akaike info criterion	-1.367547
Sum squared resid	0.692162	Schwarz criterion	-0.811350
Log likelihood	69.28301	Hannan-Quinn criter.	-1.145464
F-statistic	1.937681	Durbin-Watson stat	1.837735
Prob(F-statistic)	0.032688		

Source : Data Processed *Eviews* 10 (2025)

Based on the Simultaneous Test (F Test) in table 9 above, it can be seen that the F-statistic value or called F-count is 1.937681 with a prob value (significant) of 0.032688. Because the significant value is less than 0.05 (0.032688 <0.05) then H0 is rejected and Ha is accepted so that it can be interpreted that deferred tax burden

(X1), capital intensity (X2) and management compensation (X3) together (simultaneously) have a significant effect on tax avoidance.

Table 10 : Partial Test Results (t)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.324707	0.916612	-0.354246	0.7245
X1	-3.451973	3.770210	-0.915592	0.3637
X2	0.656950	0.322926	2.034365	0.0466
X3	0.009990	0.039608	0.252224	0.8018

Source : Data Prosecced *Eviews* 10 (2025)

In this test, the number of observation data is n = 75 data and the number of independent and dependent variables is k = 4, then the degree of freedom (df) = n-k = 75-4 = 71, so the t-table used is 1.99394 and the significance level is 0.05. Based on the Partial Test (t Test) in table 4.16 above, it can be concluded that the deferred tax burden and management compensation variables do not affect tax avoidance. While the capital intensity variable affects tax avoidance.

5. CONCLUSION

This study was conducted with the aim of measuring the effect of deferred tax burden, capital intensity, and management compensation on tax avoidance in Consumer Non Cyclicals companies in the Food and Beverage sub-sector listed on the Indonesia Stock Exchange (IDX) in 2019-2023. Based on the results of previous studies based on the data that has been collected, it can be concluded that:

1. The results of the study of deferred tax burden, capital intensity and management compensation have a simultaneous effect on tax avoidance. So that the first hypothesis (H1) in this study is accepted.

2. The results of the study of deferred tax burden partially do not have a significant effect on tax avoidance. So that the second hypothesis (H2) in this study is rejected.

3. The results of the study of capital intensity partially have a significant effect on tax avoidance. So that the third hypothesis (H3) in this study is accepted.

4. The results of the study of management compensation partially do not have a significant effect on tax avoidance. So that the fourth hypothesis (H4) in this study is rejected.

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