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**THE EFFECT OF LEVERAGE AND CAPITAL INTENSITY
ON TAX AVOIDANCE WITH FIRM SIZE AS MODERATE
VARIABLES**

**Indah Widyastuti*, Rosita Wulandari, Dinar Ambarita, Dewi Rani
Gustiasari**

Department of Accounting, Faculty of Economics and Business, Universitas Pamulang

*Email: indahwidyastuti167@gmail.com

ABSTRACT

This study aims to test and prove empirically the effect of Leverage and Capital Intensity on Tax Avoidance with Firm Size as a moderating variable. This research was conducted on mining companies listed on the Indonesia Stock Exchange for the 2015-2020 period. The type of research used is quantitative associative. The population in this study is the annual financial report from the period 2015 to 2020, which is as many as 144 which are the samples in this study. The sample in this study using the saturated sampling method. The analysis technique used in this study is multiple linear regression and moderated regression analysis with a significance level of 5%. Statistical testing using Econometric Views 9.0. The results of this study indicate that Leverage and Capital Intensity have a simultaneous effect on Tax Avoidance, Leverage has a partial effect on Tax Avoidance, Capital Intensity has no partial effect on Tax Avoidance, Firm Size can moderate the relationship between Leverage and Tax Avoidance, Firm Size cannot moderate the relationship Capital Intensity against Tax Avoidance.

Keywords: Tax Avoidance, Leverage, Capital Intensity, Firm Size

1. INTRODUCTION

Given the very large role of taxes for the State, the government seeks to increase revenue from the tax sector. The Indonesian government itself from year to year is increasingly aggressively optimizing taxes with one way to realize the independence of the nation in financing development is to explore sources of funds from taxes. However, this effort to optimize tax revenue by the government also has several obstacles. One of the obstacles to optimizing tax revenue by the government is tax avoidance or everything the Firm does to minimize the Firm's tax costs.

Tax Avoidance has the meaning of efforts made to avoid taxes (tax avoidance). Tax avoidance is defined as one of the actions taken by taxpayers to legally reduce their tax burden. The practice of Tax Avoidance is not a new one in Indonesia in 2015 PT. Cola-Cola Indonesia (CCI) is suspected of committing Tax Avoidance in 2002-2006 with a total tax law suits due to Tax Avoidance amounting to 49.24 billion. This case occurred for the 2002, 2003, 2004, and 2006 taxes of PT. Cola-Cola Indonesia (CCI) was suspected of overcharging and overcharging that year.

Factors that affect Tax Avoidance is Leverage. The greater the use of debt by the Firm, the more the amount of interest expense incurred by the Firm, so as to reduce the

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Firm's pre-tax profit, which in turn will reduce the amount of tax that must be paid by the Firm (Subakti, 2012).

Capital Intensity is related to the amount of fixed assets owned. Companies that have large fixed assets tend to carry out tax planning so as to produce a smaller tax burden. According to Hanum (2013) depreciation costs can be deducted from income in calculating taxes, so the greater the fixed assets owned by the Firm, the greater the depreciation, resulting in a reduced amount of taxable income and ETR.

Another factor that affects Tax Avoidance is Firm Size. Darmawan and Surakartha (2014) argue that companies that are included in large companies tend to have greater resources than companies that have smaller scales because large companies tend to use debt more to finance.

2. LITERATURE REVIEW

Agency Theory

According to Novitasari et al. (2016) agency theory is an agency relationship as a contract between one or several people (employer or principal) who employs another person (agent) to perform a number of services and provide authority in decision making. In this research, the principal is the government and the agent is a mining Firm (Taxpayer). Where because there are differences in interests and the Indonesian taxation system that gives responsibility to taxpayers to calculate and report their own taxes, this can lead to tax reduction efforts, namely Tax Planning with tax avoidance strategies.

Tax Avoidance

Tax avoidance is all forms of activity that has an effect on tax obligations, both permitted activities or special activities to reduce taxes. Tax Avoidance is carried out by exploiting the weaknesses of tax law and does not violate tax laws (Dyreng, et. Al, 2010). As for calculating Leverage, namely:

$$ETR = \frac{\text{Tax burden}}{\text{Profit before tax}}$$

Leverage

Leverage (debt structure) is a ratio that shows the amount of debt owned by the Firm to finance its operating activities (Adelina, 2012). In this study, the Leverage ratio uses the Debt Asset Ratio (DAR), which means, one of the ratios used to measure the Firm's ability to meet its debt obligations with the amount of its assets. As for calculating Leverage, namely:

$$DAR = \frac{\text{Total Amount of Debt}}{\text{Total Assets}}$$

Capital Intensity

Capital Intensity or capital intensity ratio is a Firm's investment activity related to investment in fixed assets and inventories. The capital intensity ratio can show the efficiency of using assets to generate sales (Yoehana, 2013). As for calculating the Capital Intensity, namely:

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$$\text{CINT} = \frac{\text{Total Fixed Assets}}{\text{Total Assets}}$$

Firm Size

Firm size is a scale where companies can be classified according to their size in various ways, one of which is the size of the assets they have (Ardyansah & Zulaikha, 2014). As for calculating the size of the Firm, namely:

$$\text{Firm size} = \text{Ln total assets}$$

3. DATA AND RESEARCH TECHNIQUE ANALYSIS

Population and Sample

Population used in this research was mining companies that were registered at BEI in 2015-2020 year as many as 49 companies. The technique of the sample is purposive sampling., the criteria used for the is as follows: (1) the number of the mining sector company listed on the Indonesia stock of 2015-2020, (2) company the mining sector having data from the financial reports, complete the period 2015-2020 (3) company mining sector generate profit period 2015-2020, (4) mining companies that were has a complete data needed by researcher.

Operational Variable

The variables in this study consist of three variables, namely the dependent variable is tax avoidance, the independent variable in this study is leverage and capital intensity, while the moderating variable in this study is company size.

Analysis Technique

The data analysis technique used in this study used multiple regression analysis methods and moderated regression analysis by performing various tests as follows: (1) descriptive Statistical Analysis, (2) Panel Data Regression Model Analysis: 1. Common Effect Model; 2. Fixed Effect Model; 3. Random Effect Model, (3) Equation Model Selection Test: 1. Chow Test; 2. Hausman Test; 3. Langrage Multiplier Test, (4) Classic Assumption Test: 1. Normality Test; 2. Multicollinearity Test; 3. Autocorrelation Test; 4. Heteroscedasticity Test, (5) Multiple Regression Analysis: 1. Coefficient of Determination; 2. Hypothesis testing: a) F Test; b) t Test, (6) Moderated Regression Analysis

4. RESULT AND DISCUSSION

The results of the analysis in this study are as follows:

Descriptive statistics

The results of the descriptive analysis can be presented in the following table:

Table 4.1
Descriptive Analysis Results

	<i>Tax Avoidance</i>	<i>Leverage</i>	<i>Capital Intensity</i>	Firm Size
Mean	0.319167	0.470139	0.303681	29.62569

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Maximum	1.250000	1.330000	0.850000	32.26000
Minimum	0.000000	0.040000	0.000000	25.72000
Std. Dev.	0.211371	0.257315	0.194267	1.481590
Observations	144	144	144	144

Source: Eviews 9.0 Output Results

The results of the descriptive statistics show that the minimum, maximum, average and standard deviation values are still variable. Table 4.3 shows that the Leverage variable with a sample size of 144 obtained the lowest value of 0.040000 and the highest 1.330000 with an average value of 0.470139 and a standard deviation of 0.257315. Capital Intensity with a sample size of 144, the lowest value is 0.000000 and the highest is 0.850000 with an average value of 0.303681 and a standard deviation of 0.194267. The influence of the moderating variable Firm Size with a sample of 144 obtained the lowest value of 25,72000 and the highest of 32.26000 with an average value of 29.62569 and a standard deviation of 1.481590.

Data Regression Model Analysis Panel

Panel data that has been collected is regressed using the Pooled/Common Effect Model method, the results of which can be seen in Table 4.2, for the Fixed Effect Model regression results can be seen in Table 4.3 and for the Random Effect Model can be seen in Table 4.4 as follows:

Tabel 4.2
Common Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.341461	0.043808	7.794484	0.0000
Leverage	-4.010379	1.260667	-3.181158	0.0018
Capital Intensity	3.019160	1.581127	1.909499	0.0583
Firm Size Leverage	0.133652	0.041248	3.240224	0.0015
Capital Intensity_of Firm Size	-0.103494	0.051806	-1.997728	0.0477

Source: Eviews 9.0 Output Results

Tabel 4.3
Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.277343	0.106623	2.601161	0.0105
Leverage	-9.758083	2.418337	-4.035039	0.0001
Capital Intensity	6.084756	4.280299	1.421573	0.1578
Comapany Size Leverage	0.322881	0.082078	3.933834	0.0001
Capital Intensity_of Firm Size	-0.194752	0.146595	-1.328505	0.1866

Source: Eviews 9.0 Output Results

Tabel 4.4
Random Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.339016	0.062929	5.387250	0.0000
Leverage	-6.147410	1.569798	-3.916051	0.0001
Capital Intensity	5.131825	2.095569	2.448893	0.0156
Firm Size Leverage	0.203038	0.051746	3.923708	0.0001
Capital Intensity_of Firm Size	-0.171240	0.069092	-2.478437	0.0144

Source: Eviews 9.0 Output Results

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Equation Model Selection Test

Test Chow

The results of the chow test can be seen in Table 4.5 as follows:

Table 4.5
Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.462894	(23,116)	0.0000
Cross-section Chi-square	75.271613	23	0.0000

Source: Eviews 9.0 Output Results

Based on the results of the Chow test in table 4.5 shows that the probability value of the cross section is $0.0000 < 0.05$, then H_0 is rejected and H_1 is accepted. Therefore, the chosen model is the fixed effect model. After the results of the chow test were obtained.

Hausman test

The results of the Hausman test can be seen in Table 4.6 as follows:

Table 4.6
Hausman test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.495245	4	0.2401

Source: Eviews 9.0 Output Results

Based on the results of the Hausman test above, it can be seen from the value of the random cross-section probability that is 0.2401 the value is > 0.05 , this means that H_0 is accepted and H_1 is rejected, meaning that the model chosen in this study is the Random Effect Model (REM).

Langrage Multiplier Test

The results of the Langrage Multiplier Test can be seen in Table 4.7 as follows:

Table 4.7
Langrage Multiplier Test

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	347.7101	276	0.0022
Pesaran scaled LM	2.030678		0.0423
Pesaran CD	-0.014778		0.9882

Source: Eviews 9.0 Output Results

Based on the results of the Langrage Multiplier Test in table 4.9, it shows that the probability value of Breusch-Pagan LM is $0.0022 < 0.05$, so it can be concluded that H_1 is rejected, meaning that the model chosen in this study is the Random Effect Model (REM). Based on the results of the Chow test with a probability value of $0.0000 < 0.05$, the most appropriate model was obtained, namely the Fixed Effect Model (FEM). Then in the Hausman test with a probability value of $0.2401 > 0.05$, the most appropriate model was found, namely the Random Effect Model (REM). Given the difference in results between the Chow test and the Hausman test, it is necessary to carry out a langrage multiplier test, by obtaining a result of $0.0022 < 0.05$, it can be concluded that the Random Effect Model (REM) is the most appropriate model.

Classic assumption test

Normality Test

The results of the classical assumption test using the Normality Test with the Histogram-Normality Test in this study can be seen from Figure 4.1 as follows:

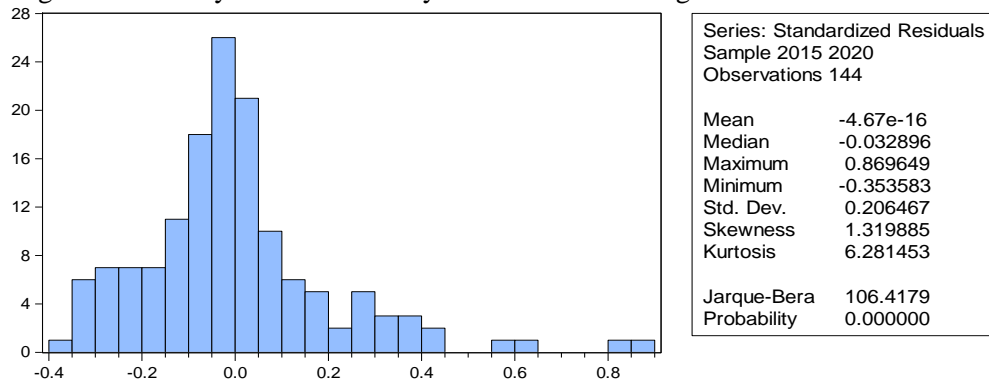


Figure 4.1
Histogram Normality Test (Before Outlier)

Testing the data in this study was carried out with a total sample of 144 samples using the Jarque-Bera Test (JB) with the test criteria for probability significance > 0.05 . Based on Figure 4.1 the probability value of Jarque-Bera is 106.4179 with a probability of 0.000000 which is smaller than the 5% alpha significance (0.05). This it can be concluded that the data are not normally distributed. To make the data normally distributed, data outliers are carried out with the results that can be seen in Figure 4.2 as follows:

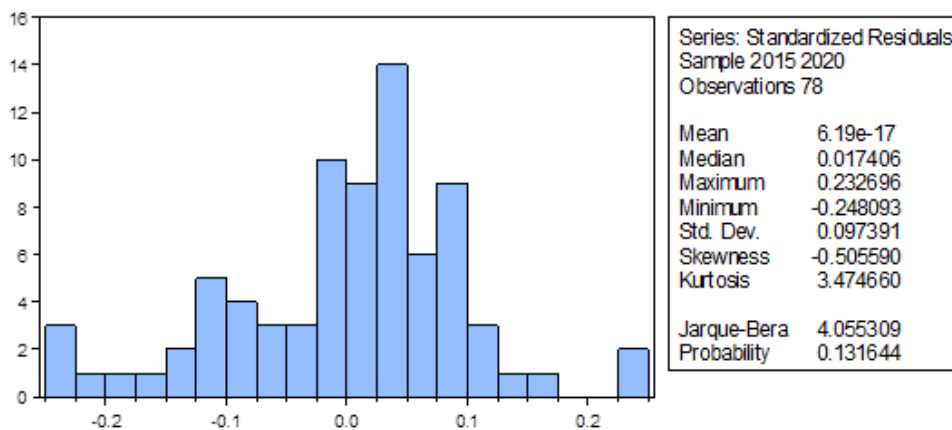


Figure 4.2
Histogram Normality Test

Based on Figure 4.2 the probability value of Jarque-Bera is 4.055309 with the probability 0.131644 greater than the 5% alpha significance (0.05). Thus, it can be concluded that the data is normally distributed with the number of samples before the data outliers were carried out as many as 144 samples and after the outliers the data became 78 samples.

Multicollinearity Test

The results of the classical assumption test using the Multicollinearity Test tested with the Correlation Matrix in this study can be seen from Table 4.8 as follows:

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**Table 4.8
Multicollinearity Test**

	Tax Avoidance	Leverage	Capital Intensity	Firm Size
Tax Avoidance	1.000000	-0.251399	-0.294868	0.436550
Leverage	-0.251399	1.000000	0.660000	0.146362
Capital Intensity	-0.294868	0.660000	1.000000	-0.174579
Firm Size	0.436550	0.146362	-0.174579	1.000000

Source: Eviews 9.0 Output Results

Based on the output results of the correlation matrix in Table 4.8, it can be seen that the correlation between Tax Avoidance and Leverage variables is -0.251399, the correlation between Tax Avoidance and Capital Intensity is -0.294868, the correlation between Tax Avoidance and Firm Size is 0.436550, the correlation between Leverage and Capital Intensity is 0.660000, the correlation between Leverage and Firm Size is 0.146362, and the correlation between Capital Intensity and Firm Size is -0.174579. There is no correlation between independent variables which is high above 0.90. This means that there are no symptoms of multicollinearity in these variables.

Autocorrelation Test

The results of the autocorrelation test in this study are as follows:

**Table 4.9
Autocorrelation Test**

Durbin-Watson stat	1.560280
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Source: Eviews 9.0 Output Results

Based on the results from table 4.9 above, the Durbin-Watson number is 1.560280 or is between -2 to +2 meaning there is no autocorrelation so that this model is suitable for further analysis.

Heteroscedasticity Test

The results of the classical assumption test using the Heteroscedasticity Test in this study, one of the ways to detect heteroscedasticity problems is to use the Glejser Test, seen from Table 4.10 as follows:

**Tabel 4.10
Heteroscedasticity Test**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Leverage	0.009195	0.051595	0.178218	0.8590
Capital Intensity	0.030216	0.063976	0.472303	0.6381
Firm Size	-0.006448	0.009970	-0.646737	0.5198
C	0.250873	0.294596	0.851583	0.3972
R-squared	0.014276	Mean dependent var		0.041698
Adjusted R-squared	-0.025686	S.D. dependent var		0.056296
S.E. of regression	0.057014	Sum squared resid		0.240545
F-statistic	0.357241	Durbin-Watson stat		1.703443
Prob(F-statistic)	0.784036			

Source: Eviews 9.0 Output Results

From Table 4.10 the results obtained from the Heteroscedasticity Test using the Glejser Test show that Leverage has a probability value of 0.8590 > 0.05, Capital Intensity has a

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probability value of $0.6381 > 0.05$, and Firm Size has a probability value of $0.5198 > 0.05$. So, it can be concluded that there is no heteroscedasticity.

Panel Data Regression Analysis

Panel Data Linear Regression Analysis in this study using the Random Effects method. The selection of the Random Effects method as the panel data analysis method in this study was previously tested through the Chow Test, the Hausman Test, the Langrage Multiplier Test first, so that finally the Random Effect method was the most appropriate for testing panel data in this study.

Table 4.11
Panel Data Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Leverage	-3.143506	1.389938	-2.261615	0.0267
Capital Intensity	-0.750011	2.440652	-0.307300	0.7595
Firm Size Leverage	0.101378	0.046999	2.157017	0.0343
Capital Intensity of Firm Size	0.026695	0.083309	0.320432	0.7496
C	0.299429	0.036294	8.250073	0.0000
Effects Specification				
			S.D.	Rho
Cross-section random			0.054869	0.2813
Idiosyncratic random			0.087694	0.7187
Weighted Statistics				
R-squared	0.168390	Mean dependent var		0.136402
Adjusted R-squared	0.122823	S.D. dependent var		0.093490
S.E. of regression	0.087560	Sum squared resid		0.559678
F-statistic	3.695390	Durbin-Watson stat		1.617846
Prob(F-statistic)	0.008534			
Unweighted Statistics				
R-squared	0.300726	Mean dependent var		0.249615
Sum squared resid	0.717797	Durbin-Watson stat		1.261460

Source: Eviews 9.0 Output Results

The regression equation is as follows:

$$\text{Tax Avoidance} = 0.299429 - 3.143506 - 0.750011 + 0.101378 + 0.026695$$

The meaning of the equation is as follows:

- a. The constant value of 0.299429 means that if the Leverage and Capital Intensity value is 0, then the amount of Tax Avoidance is 0.299429.
- b. The regression coefficient value for the Leverage variable is -3.143506, meaning that for every 1 unit increase in Leverage, it will reduce Tax Avoidance by 3.143506 units, assuming the other independent variables have a fixed value.
- c. The regression coefficient value for the Capital Intensity variable is -0.750011, meaning that for every 1 unit increase in Capital Intensity, it will reduce Tax Avoidance by 0.750011 units, assuming the other independent variables have a fixed value.

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- d. The value of the Leverage coefficient moderated by Firm Size is 0.101378, meaning that for every increase in Leverage moderated by Firm Size, Tax Avoidance will increase by 0.101378.
- e. The coefficient value of Capital Intensity moderated by Firm Size is 0.026695, meaning that for every increase in Capital Intensity moderated by Firm Size, Tax Avoidance will increase by 0.026695.

Tabel 4.14

Coefficient of Determination (R²)

Adjusted R-squared	0.122823
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Source: Eviews 9.0 Output Results

Through the results of the coefficient of determination above, it can be obtained the Adjusted R Square value of 0.122823. This shows the ability of the independent variables Leverage and Capital Intensity in explaining the amount of Tax Avoidance of 12.2823% while the remaining 87.7177% is explained by other variables outside this research model.

Hypothesis testing

The results of hypothesis testing in this study are as follows:

Simultaneous Hypothesis Testing (F Test)

The results of simultaneous hypothesis testing (FTest) in this study are as follows:

Tabel 4.15

F test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Leverage	-3.143506	1.389938	-2.261615	0.0267
Capital Intensity	-0.750011	2.440652	-0.307300	0.7595
C	0.299429	0.036294	8.250073	0.0000
F-statistic	3.695390			
Prob(F-statistic)	0.008534			

Source: Eviews 9.0 Output Results

Based on table 4.15 above, the results of the F test above show that the calculated F value is 3.695390 with a significant value of 0.008534, while to find the F table with the number of samples (n) = 78, the number of variables (k) = 3, the significant level = 0.05, $df_1 = k - 1$ or $3 - 1 = 2$ and $df_2 = n - k$ or $78 - 3 = 75$ the F table value is 3.12. So that $F_{count} 3.695390 > F_{table} 3.12$ and obtained a significant value of $0.008534 < 0.05$ significant level. So that H_{a1} is accepted, which means that Leverage and Capital Intensity have a simultaneous effect on Tax Avoidance.

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Partial Hypothesis Testing (t Test)

The results of partial hypothesis testing (t test) in this study are as follows:

Tabel 4.16
t Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Leverage	-3.143506	1.389938	-2.261615	0.0267
Capital Intensity	-0.750011	2.440652	-0.307300	0.7595
Firm SizeLeverage_	0.101378	0.046999	2.157017	0.0343
Capital Intensity_of Firm Size	0.026695	0.083309	0.320432	0.7496
C	0.299429	0.036294	8.250073	0.0000

Source: Eviews 9.0 Output Results

In this study using a two-way test, the value of t table is obtained with the number of samples (n) = 78, the number of variables (k) = 5, significant level = 0.05, $df = 78 - 5 = 73$ obtained t table of 1.99300. Based on the table above, it is known as follows:

1. Leverage has a t count of 2.261615 where the value of t count < t table or $2.261615 > 1.99300$ and a significant value of $0.0267 < 0.05$ so that H_{a2} is accepted, which means that Leverage has a partial effect on Tax Avoidance. It showed that the large amount of Leverage owned by mining companies will increase Tax Avoidance for mining companies. This is because the greater the debt, the greater the interest expense paid so that it can reduce the company's profit before tax which can further reduce the amount of tax that must be paid later by the company. The results of this study are consistent with the results of research conducted by Annisa (2017), Ariawan and Setiawan (2017), Mayangsari (2015) concludes that Leverage had an effect on Tax Avoidance.
2. Capital Intensity has a t count of 0.307300 where the value of t count < t table or $0.307300 < 1.99300$ and a significant value of $0.7595 > 0.05$ so H_{a3} is rejected, which means that Capital Intensity has no partial effect on Tax Avoidance. It showed that the amount of Capital Intensity owned by mining companies will not increase Tax Avoidance for mining companies, because Capital Intensity is a necessity for the company. The company invests in fixed assets by adding buildings, land, equipment, buildings, machinery, and so on with the aim of supporting the company's operations. The results of this study are in line with research conducted by Putra (2016) that Capital Intensity didn't have any effect on Tax Avoidance.
3. Leverage interaction variable with firm size has a t count of 2.157017 where the value of t count > t table or $2.157017 > 1.99300$ and a significant value of $0.0343 < 0.05$ so that H_{a3} is accepted, which means that Firm size can moderate the relationship between Leverage and Tax Avoidance. This shows that the size of a company is often associated with the size of the debt owned by the company, because the larger a company will make the company prefer to do financing by using its operational resources. The results of this study are in line with research by Darmawan and Surakartha (2014) which states that company size can moderate the relationship between leverage and tax avoidance.
4. The interaction variable Capital Intensity with firm size has a t count of 0.320432 where the value of t count > t table or $0.320432 < 1.99300$ and a significant value of $0.7496 > 0.05$ so that H_{a4} is accepted which means that Firm size cannot moderate the relationship between Capital Intensity and Tax Avoidance. It showed that firm size cannot be interacted with the effect of capital intensity on tax avoidance. The higher the

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Capital Intensity, it is not only intended to carry out Tax Avoidance but is used to achieve the operational activities of other companies. The results of this study are in line with research conducted by Putri Diah Uliandari, Juitania, Desy Purwasih (2021) which states that firm size cannot moderate the relationship between capital intensity and tax avoidance.

5. CONCLUSION

Based on the discussion of the research results that have been stated previously regarding the Effect of Leverage and Capital Intensity on Tax Avoidance with Firm Size as the moderating variable (Empirical Study on Mining Companies Listed on the Indonesia Stock Exchange for the 2015-2020 Period) it can be concluded as follows: The results of the first hypothesis testing show that Leverage and Capital Intensity have a simultaneous effect on Tax Avoidance, the results of testing the second hypothesis indicate that Leverage has a partial effect on Tax Avoidance, the results of testing the third hypothesis indicate that Capital Intensity has no partial effect on Tax Avoidance, the results of testing the fourth hypothesis indicate that Firm Size moderates the effect of the relationship between Leverage on Tax Avoidance, the results of testing the fifth hypothesis indicate that Firm Size does not moderate the effect of the relationship between Capital Intensity on Tax Avoidance.

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