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Tax Avoidance: Determinant Factors and Impact on Firm Value

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Abstract: ***Introduction**: Tax management aims to organize the company for tax avoidance while maintaining the firm value. **Background Problems**: Different points of interests between taxpayers and government lead realization of tax revenue target could not achieved. **Purpose**: This research aims to analyze characteristics of companies' tax avoidance that listed on the Indonesia Stock Exchange and determinants of tax avoidance and the impact toward firm value. **Research Methods**: Descriptive and panel data analysis were used to examine sample in this study which covered non-financial companies that constantly profitable and registered in LQ45 index for February 2014 to July 2019 periods. **Findings & Conclusions**: The results revealed companies on the average have made tax payments in accordance with applicable regulations. Profitability and firm size positively affected tax avoidance whereas tax avoidance insignificantly affect to overall firm value. However, tax avoidance indicated significant negative impact to state-owned companies' value while private companies insignificantly.*

Keywords: effective tax rate, firm value, index LQ45, tax avoidance

1. Introduction

Indonesia as a developing country requires large budget for development in all fields as well as to improve the welfare of the people. This growth pushed the state budget to grow bigger year by year so that state revenue will also grow. Therefore, it is very important for the government to focus on encouraging increased state revenues. The country's main source of income is obtained through tax revenue which is a mandatory contribution to the state from individuals or entities that are coercive based on the law and is used for the prosperity of the people. Tax contribution is an important factor for the organization of government and state development because its composition is always more than 70 percent of the composition of state revenue (Ministry of Finance 2019). Meanwhile for the main tax revenue realization of PPh (income tax) contribution is dominated by among others corporate income tax (DGT 2018).

Contribution of tax revenue in Indonesia is still low compared to other ASEAN countries. In 2017, according to World Bank and PWC data, Indonesia's tax contribution only touched 30%, and is still below Malaysia, Vietnam and the Philippines. This indicates that the tax contribution in Indonesia is still less than optimal.

Companies are the biggest contributors of tax in the country, as their activities are for profit so they are subject to pay taxes However, different points of interests have made the realization of the tax revenue target between taxpayers and the government to not be fulfilled (Lestari et al . 2014). On one hand, the business sector generally has the goal of making the shareholder prosperous, while on the other hand taxes have been regulated by the government with their binding and coercive nature. This difference in interests has caused taxpayers to try to reduce tax payments, both legally and illegally. One way to reduce tax payments undertaken by taxpayers is tax avoidance. Companies, in essence, prefer paying lower taxes or getting some tax savings on tax payable given that the main purpose of the company is to maximize it after tax profit by minimizing its overall effective tax rate of the company. Indeed, many tax planning approaches have been used by companies to achieve this objective (Seyram & Holy 2013).

A company is required to increase the firm value through its financial management, one of whose actions is through tax avoidance. Optimizing the value of the company which is a company's goals is achieved through implementation of the financial management function, where a financial decision influences other financial decisions and eventually impacts the value of the company. One of management decisions regarding this matter is tax avoidance. Tax which is a factor of profit reduction makes tax avoidance an important strategy that needs to be done by companies (Fama and French 1998).

This study aims to analyze the determinants of tax avoidance factors and their impact on firm value. The results of this study are expected to be a reference for company considerations in carrying out proper tax planning and a consideration of investment decisions and corporate funding by considering factors that influence tax avoidance and its impact on firm value.

This research was conducted to analyze the factors that influence tax avoidance and its impact on the value of listed companies on the Indonesia Stock Exchange. Determinant factors consist of profitability, leverage, capital intensity, and business size. Tax avoidance is measured by the effective tax rate and the impact seen is the value of the company measured from the Tobin's Q ratio. Companies that are selected as research are companies that have been listed on the Indonesia Stock Exchange and are included in LQ45 companies. Problems arise due to the unrealized condition of the tax revenue target due to differences in interests between companies and the government.

2. Literature Review

Trade off theory explains that companies have the option to take debt in order to get interest benefits to reduce tax payments. Companies with greater debt will result in lower tax payments and thus higher *tax avoidance*. The debt will affect *leverage, capital intensity, profitability,* and company size because it will directly affect the company assets. Factors that influence *tax avoidance* according to the results of previous studies have a similar form calculated by the *effective tax rate* as a description of *tax avoidance.* Research by Andreas and Enny (2017), Evangelos C *et al* (2018), and Vidiyanna and Putra (2017) provides an explanation that the factors that influence *tax avoidance* are profitability as measured by ROA, *leverage* , *capital intensity*, and business size. These factors have a significant effect on *tax avoidance.* Research by Maharani and Suardana (2014) shows that profitability has a negative effect on tax avoidance. Similar conclusion is presented by a research conducted by Kurniasih and Sari (2013) where they stated that profitability had a negative effect on tax avoidance. According to Irianto *et al* (2017) *leverage* has a positive relationship with tax avoidance while business size has a negative effect. Meanwhile, capital intensity has a positive but not significant effect.

Companies that conduct tax avoidance receive lower effective tax rate. Tax avoidance is done to increase the value of the company, so that management looks good from shareholders point of view. The management, in making a decision, should pay attention to the benefits and costs to be obtained by the company. In making decisions, the benefits to be received by the company should be greater than the costs incurred. But the impact of *tax avoidance* on firm value according to many studies have different results. Research by Appolos *et al* (2016) states the negative influence of tax avoidance on firm value. Meanwhile, according to research Desai and Dharmapala (2019) there is a positive influence between tax avoidance on firm value.

Tax for companies is an expense that will reduce net profit so that companies always want the minimum tax payment possible. Tax incidences are burdensome for companies and their owners that results to efforts of tax avoidance (Chen 2004). Companies use unclear regulations in the context of tax avoidance to obtain favorable tax outcomes (Dyreng *et al* 2008).

Tax avoidance has been carried out at least a quarter of the number of companies in America and has become a special phenomenon. This is evidenced by the reduction in tax payments of less than 20 percent, whereas the average tax that must be paid by companies is approaching 30 percent (Dyreng et al. 2008). Likewise in Indonesia, in 2005 there were 750 foreign investment companies suspected of tax avoidance by reporting company losses for five years in a row and not paying taxes to the state (Bapennas 2005). In 2012 there were 4000 PMA companies reporting zero tax due to losses for seven consecutive years. Generally the company is engaged in manufacturing and processing of raw materials (Directorate General of Taxes 2013).

The impact of tax avoidance has divergent effects on the value of the company. According to previous research by Desai and Dharmapala (2009), tax avoidance tends to increase the value of a well-managed company but this effect does not apply to companies with poor governance. However, the results from other studies are not consistent. Hanlon and Slemrod (2009) examined the market reaction to the application of the *tax shield*. In general, the share price declined at the time of the announcement, but with small industrial variant and was only significant in the retail industry.

Accounting researchers tend to examine how tax avoidance would form financial statements and values related to taxation information (Hanlon *et al* 2005). Simply put, tax avoidance is seen as a method that can save tax, where no other economic incentive is better or available than tax savings. By contrast, the agency theory states that the problems of the tax relating to the management of the company due to agency problems that have wide enough coverage. It is impossible to study tax avoidance without being linked to other factors that affect it. In practice the main objective of tax avoidance activities are to complicate and embezzle the transaction process, which can provide protection for managers over behavior that tends to benefit themselves (Desai *et al* 2007).

3. Method

The research is conducted using descriptive and panel data regression models using secondary data , namely the financial statements of companies registered on the Indonesia Stock Exchange (IDX), the Central Statistics Agency (BPS), the Ministry of Finance, the Directorate General of Tax (DGT), and Bank Indonesia (BI). Descriptive analysis is used to provide an overview or description of the variables studied, namely the characteristics of the development of *tax avoidance* in the main sectors on the Indonesia Stock Exchange. While the panel data regression model approach in this study was used to analyze the factors that influence *tax avoidance* and its impact on firm value. Selection of samples taken from the company's non-financial are always listed in the LQ 45 period February 2014 to July 2019, it acquired 24 companies from 6 different sectors are used as samples in this study .

This study has important variables that influence each other to meet the objectives of the study. The research variables are explained as follows:

a) Company Size

The size of the company is shown through total assets in rupiah, because this measure is considered to have a better level of stability compared to other proxies and tends to be continuous between periods (Kurniasih and Sari

2013). Company size is measured using natural logarithm of total assets. The formula for calculating company size is:

Size = Ln (Total Assets)

b) Leverage

Leverage is a ratio to measure the ability of both long-term and short-term debt to finance company assets (Kurniasih and Sari 2013). *Leverage* can be measured using the ratio of *total debt to equity ratio*. The formulas for calculating *leverage* are:

$$\textit{Debt to Equity Ratio} = \frac{\text{Total Liability}}{\text{Total Equity}}$$

c) Profitability (ROA - Return on Assets)

ROA is the ratio between net income and total assets at the end of the period that is used as an indicator of a company's ability to generate net income. ROA in percentage, calculated by dividing net profit after tax by total assets (Chen *et al* 2010). The formula for calculating return on assets, namely:

$$\text{ROA} = \frac{\text{Earning after tax}}{\text{Total Asset}} \text{x } 100\%$$

d) Capital Intensity

Capital Intensity gives an idea of how much capital is needed to generate income. Investments made by the company must always consider every opportunity to fight over the market. Indicators of the company's future prospects can be seen from the side of capital intensity which illustrates the ratio between fixed assets and total assets. The formula for calculating capital intensity is:

$$\text{Capint} = \frac{\text{Total fixed assets}}{\text{Total Asset}}$$

e) Tax Avoidance

Tax avoidance is measured using the effective tax rate (ETR). Frank et al. (2009) used ETR in his research because it was considered to reflect a fixed difference between the calculation of book income and fiscal profit. ETR value is obtained by dividing the total tax burden by profit before tax. ETR is calculated using the ratio of total income tax expense to pre-tax income . Income tax expense is the sum of current tax expense and deferred tax expense. Pre-tax income is net income before deducting income tax. The smaller the ETR value means the greater the tax avoidance by the company and vice versa the greater the ETR value the smaller the tax avoidance. ETR values range more than 0 and less than 1. The formula for calculating tax avoidance, namely:

$$\text{ETR} = \frac{\text{Tax Expense}}{\text{Pretax Income}}$$

f) Firm Value

Firm value is the investor's perception of the company, which is often associated with stock prices. Factors that are often used as an effort to estimate the value of a company are book value, appraisal value, stock market value, *chop-shop* value, and cash flow value. According to Sukamulja (2004), *Tobin's Q* ratio is rated as the ratio that is able to provide the best information because *Tobin's Q* ratio includes all elements of the company's debt and stock capital, not only shares and not only the company's equity included but all of the company's assets. Firm value is measured using the *Tobin's Q* formula as follows:

$$Tobin = \frac{MVE + Book\ Value\ of\ Liabilities}{Total\ Asset}$$

Note:
Tobin = Firm value

MVE = Shares closing price x number of shares outstanding

Then for the method of data processing using panel data regression with the help of software E-views 9.0 and worksheets using Microsoft Excel. The statistical program is used to test the significance of panel data regression analysis and Microsoft Excel is used to create tables and graphs. In this study, the authors limit the discussion on panel data that is *balanced panel*, in which each individual (company) have a number of observation time series are the same. The economic aspects of this study are:

ETR = F (ROA, LEV, CAPINT, SIZE)

Note:
Y_t = *Effective Tax Rate*
ROA = Profitability (*Return on Assets*)
LEV = *Leverage*
CAPINT = *Capital Intensity*
SIZE = Company Size
ε t = *Error*

Then to measure the impact of tax avoidance on firm value, the model is added back to:

Q = F (ETR)

$$Qt = \alpha_t + \sum_{i=1}^{p} Y_j ETR_{t-i} + \varepsilon t$$

Note:
Q = Firm value
ETR = Effective Tax Rate

4. Results

4.1 Descriptive Analysis

Descriptive analysis in this study explains the overall characteristics of the company and the development of corporate tax avoidance that is always listed in LQ45 during the study period of 2014 to 2019. The number of observations used in this study were 528 from 24 companies.

Table 1: Descriptive statistics

	ETR	SIZE	DER	ROA	CAPINT	TOBIN'S Q
Average	0.27	31.54	1.22	0.06	0.27	2.65
Min	0.04	30.47	0.16	0.01	0.02	0.89
Max	0.56	33.49	3.95	0.23	0.65	19.42
Stdev	0.1	0.82	1.02	0.05	0.18	3.69
Variant	0.01	0.68	1.04	0	0.03	13.58
Median	0.25	31.61	0.77	0.06	0.26	1.63

Source: Corporate financial statements (processed)

Tax Avoidance Analysis / Effective Tax Rate (ETR)

The average value of ETR is greater than the applicable tax rate of 25 percent while the research ETR has an average of 0.27 or 27 percent, so companies tend to make tax payments without making excess tax avoidance. However, from the number of companies studied, only 13 companies had an ETR value above the applicable tax rate, so there was still a need for further supervision from tax authorities so that the company ETR value could be increased.

The basic industry and chemical sector is the sector with the lowest average ETR or the sector that is most seen avoiding taxes with an average value of 0.22 or 22 percent. This sector has the advantage because the government is implementing granting reduction / exemption of corporate income tax with tax incentives to protect industries that are considered pioneers. The basic industry and chemical sectors also have a high need for research and development in advancing their business because of the need for innovation and high security, this also encourages the reduction of tax payments because research activities are included in the tax deduction factor.

Company Size Analysis

The company size of the companies studied is generally large companies because the total assets of all companies exceed the minimum limit of large companies (15 billion). The smallest company size is the construction and real estate sector, but in its growth the construction and real estate sector has the greatest value compared to other sectors. This is due to the increase in land and building prices that are higher each year and lead to higher value of the company's main assets. Availability of land that is permanent causes an increase in prices and the demand side tends to increase every year. Meanwhile, the largest total assets are owned by the infrastructure, utilities and transportation sectors. The sector in running its business has a great need in physical capital such as in providing communication needs provided by the company requiring satellites, land, antennas, to other supporting tools and devices.

Debt to Equity Ratio (DER) Analysis

Sectors that have a high average DER are construction and real estate with an average of 2.32. The construction and real estate sector experiences high DER due to the company's business cycle. Companies engaged in construction and real estate are generally not directly paid at the time of project acceptance, but in term terms. While the condition of the business movement must move the working capital and that is the reason for the company to borrow capital from the bank so the DER number owned by the company is greater than 1. According to First Asia Capital (2017), construction companies generally have a maximum DER of 4 times, if it exceeds it then it has a big enough risk. The companies studied in this sector as a whole have a DER value below 4, so it can be said that the sector companies under study have a DER value that is still safe in their business activities.

Analysis of Profitability / Return on Assets (ROA)

According to research data, the company with the lowest ROA value is from the construction sector with an average ROA of 0.95 percent. Low ROA is caused by the attitude of the government to boost infrastructure projects and to pay less attention to the company's financial position. In addition, the high debt held by this sector further reduces the amount of net profit due to the company's interest payments and also the payment of staples which has increased for other reasons. While the highest sector ROA is the consumption sector with an average value of sector ROA of 9.90 percent. Consumer sector is able to defend the right m argin high so as to determine the price of the product without the need to slam the price in order to win the competition.

Capital Intensity Analysis

Capital intensity in the study has an average value of 0.23 where the use of fixed assets reaches 23 percent compared to the overall assets of the company. The basic industry and chemical sectors are also the biggest sectors in the ratio of use of fixed assets to the amount of assets used. The basic industry and chemical sectors are companies that produce products formed through changes in raw organic and inorganic materials using chemical processes (Sucofindo 2018). This sector requires very complete tools to carry out its production with the need for a fairly wide and safe place because chemical processes require a more maximum level of security. This is what drives the use of fixed assets is an important part in the course of the company's business.

Firm Value Analysis

The average value of the company in this study has a value of 2.65, The company in LQ45 is a company that has a very good firm value. LQ45 company has potential as a company with good prospects because it has a greater value than the previous base value so that the potential for profit will increase.

4.2 Determinant Factors Affecting Tax Avoidance

The following steps are carried out to answer the second objective, namely testing the determinants of factors that affect tax avoidance on LQ45 companies in the period 2014 to 2019 quarter 2 using panel data regression and software Reviews 9. Following are the results of the fixed effect regression model that can be seen in the table 2. The analysis showed that from the independent variables studied there were 2 variables that had a significant effect and 2 variables that were not significant. Variables that have a significant influence are indicated by probability values below 0.05, namely ROA and company size and both have a significant negative effect on ETR. While capital intensity and debt to equity ratio have a positive but not significant effect on the company's ETR value.

Company invest in fixed assets have no effect on tax evasion because the company invests to ease in the course of business. So that more companies aim to increase fixed assets to increase company revenue from sales. In addition, the type of business under study has the nature of a business that generally requires tools so that assets remain a necessity rather than merely as a deduction from payment of taxes due to depreciation. The greater the fixed assets owned by the company, the greater its production capacity. This will result in increased sales due to more production. The increase in sales means an increase in income which will have implications for the increased tax burden that must be paid by the company. While the influence of DER is not significant on tax avoidance is possible because in some companies there are differences in conditions where when DER rises or falls does not affect the company's ETR value and if seen in the picture companies that have high or low DER generally still have an average ETR that is not far proportional between sectors.

Table 2: Results of Panel Regression Factors affecting Tax Avoidance

	Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	C	1.1618	0.254	4.5735	0
CAPINT	CAPINT	0.0151	0.0167	0.9023	0.3673
DER	DER	0.0067	0.0059	1.1391	0.2552
ROA	ROA	-0.1252	0.0176	-7.1238	0
Size	SIZE	-0.03	0.0085	-3.5362	0.0004
R-squared		0.8021			
F-statistic		75.0665			
Prob (F-Statistic)		0			

Source: Eviews-9 results (data processed)

Companies that have greater profit the larger is the tax payment of the company that encourages companies to conduct aggressive actions on taxes so that the tax does not detract too much profits from the company. Companies that have high profitability have the opportunity to position themselves in tax planning which reduces the amount of corporate tax burden, so that the tax burden is low (Chen et al 2010). Companies reducing the amount of the tax burden by making use of the opportunities available and able to do. Such as utilizing Article 4 paragraph 3 of PPh regulations on non-tax objects by selecting or generating non-taxable income. Companies have very large investments in other business entities in Indonesia in the form of shares that will receive dividends. In addition, companies engaged in basic industry and chemical fields as well as companies that are expanding their growth have research and business development financing which are used as profit reduction in accordance with Law No. 36 of 2008 article 6 paragraph 1f. While other companies also provide funding for education, this education assistance funding is able to reduce tax payments.

Research by Richardson and Lanis (2007) states that large companies have lower effective tax rates because they have sufficient resources to carry out processes according to the wishes of the company such as carrying out tax planning and other activities to achieve optimal tax savings. In addition, the greater the company will produce more complex corporate transactions so that it will be more likely to make tax saving loopholes. In addition large companies have greater operating activities and the quality of the resources they have are also superior compared to smaller companies. The resources owned by the company can be used by the agent to suppress the tax burden by way of exploiting loopholes of the existing tax regulations legally so that the agent can maximize its performance compensation and firm performance. The size of a large company can be seen from the number of assets that are more in which this research companies use large assets to avoid tax such as making purchases of other investments in the form of shares so that companies are not subject to income tax from stock returns received by the company.

4.3 Impact of Tax Avoidance on Firm value

The following steps are carried out to answer the third research objective, namely the impact of tax avoidance on firm value in LQ45 in the period 2014 to 2019 quarter 2 using panel data regression and software eviews 9. Tax avoidance has no significant effect on firm value because LQ45 has a special attraction for investors, namely LQ45 companies are companies with high liquidity and other criteria that increasingly illustrate that companies included in LQ45 are good companies to invest. This causes the company's LQ45 value when viewed as a whole to give a biased value due to the positive picture. Therefore, further research is carried out by looking at the effect of tax avoidance on company value based on business ownership, namely state-owned and private companies.

Regression results show the value of the tax avoidance coefficient of 0.247 with a probability of 0.0007. This shows that ETR has a positive effect on firm value. If related to tax avoidance which is inversely proportional to ETR, it is concluded that tax avoidance is negatively related to firm value. When tax avoidance increases, the value of the company will decrease. Meanwhile, the influence between tax avoidance and company value results in a probability value below critical value (0.05) so that tax avoidance has a significant effect on firm value in non-financial SOEs registered in LQ45.

State owned enterprises (SOE) are companies whose ownership is dominated by the government so that every policy made looks at the perspective of the government at large. Regression results that show a significant negative relationship between tax avoidance and the firm value of SOEs are very different from previous studies which generally produce a significant positive relationship (Khaoula et al. 2013; Chen et al. 2010; Noor et al. 2010; Wilson 2009). The results of this study are consistent with the study of Wu (2009) which examines state ownership and good tax handling of corporate tax obligations. As a result, corporate tax obligations increase with the proportion of ownership by the government. Generally, companies that avoid taxes will produce greater profits so that the value of the company will increase. However, there are differences in companies controlled by the government, namely companies that avoid small taxes that will increase the value of the company. This is because SOE companies are more transparent in providing financial reports and also the government's interest in taxation also encourages companies to report taxes properly. In addition, SOE companies also have another goal, namely as a provider of community services so that they indirectly reinforce the obligation to pay taxes properly to help develop the country's economy to improve the welfare of society.

Regression results show the value of the tax avoidance coefficient of -0.555 with a probability of 0.419. This shows that ETR has a negative effect on firm value. Associated to tax avoidance which is inversely proportional to ETR, it is concluded that tax avoidance is positively related to firm value. When tax avoidance increases, the value of the company will increase. Meanwhile, the influence between tax avoidance and firm value results in probability values above critical value (0.05) so that tax avoidance does not significantly influence the value of the company in non-financial private companies registered in LQ45.

A private company is a company whose primary ownership comes from private parties, both foreign and domestic. This company generally has a goal to maximize profit for the benefit of the owner and management. Results of analysis for private companies show that there is no impact of tax avoidance activities on the firm value of the company, which means that any activity to reduce corporate tax payments from private companies will not interfere with company value. The reason for this lack of impact is that investors generally do not really look at the activities of tax payments to private companies, but rather give priority to profits from the company and also dividends that will be given by the company. This condition also provides evidence that it is necessary to add tax payment rules to keep the company in complying with tax payments properly.

Table 3: Regression result of tax avoidance on firm value based on ownership

Sectors	ETR		
	Coefficient	*Prob.*	Description
SOE	0.246763	0.0007	Significant positive
Private	-0.554721	0.4191	Non significant negative

Source: *EViews*-9 output regression model (processed)

5. Managerial Implications

The results of the study recommend that company management conduct tax planning by considering the movements of profitability and business size of the company. Increased company profits can be increased by increasing productivity by means of business research and development activities as well as additional investment through shares in other companies. Companies are also advised to increase company assets and expand business networks that will be in line with increased profitability. The government needs to investigate taxation reporting by each type of company, especially in private companies. A policy is needed so that tax payments are able to be considered by companies in increasing the value of their companies. The issue of overlapping regulations and the use of legal loopholes is also still a tool used to avoid tax, so it review of company's financial statements need to be extended to be able to reduce fraud in paying corporate taxes. The government must immediately conduct fundamental reforms both in terms of regulations, institutions, and enhancing the capacity of human resources. It is expected that supervision, prosecution, investigation and taxation crime cases can be resolved properly through clear regulations and systems so that legal regions that seem confusing are not utilized by business players for tax avoidance.

6. Conclusion

6.1 The results of this study indicate that overall the studied companies have an average value of ETR of 27%, greater than the applicable tax rate (25%). This means that the average studied company has made tax payments in accordance with applicable regulations. The sector that makes the biggest tax payments is the mining sector and is indicated to be unable to carry out tax management properly. While the sector with the lowest effective tax rate namely basic industry and chemical means companies can make good use of tax reductions through activities that continue to provide profits. The size of the business in this study as a whole is classified as a large company with a fairly good firm value, reaching an average of 2.65, which means the company has a value of 2.65 times the cost of debt and capital used.

6.2 Based on the analysis results obtained that profitability that uses return on assets and company size has a significant positive effect on corporate tax avoidance under study because the company increases the value of earnings through tax deductible activities and on large business size have more transactions, so tax avoidance loopholes can be utilized. While DER and capital intensity do not have a significant effect on tax avoidance because the company adds fixed assets to facilitate business not as a tax deduction because the greater the fixed assets will increase its production capacity and also on the DER value of each diverse company producing a value of ETR that does not too diverse.

6.3 The results of the analysis on the impact of tax avoidance on firm value in LQ45 show that there is no influence, but further research is conducted to see the effect in each sector and ownership, namely SOE and private owned. The results of research in each sector show that there is no significant influence between tax avoidance and firm value of the company in private companies. Meanwhile in the cases of SOE companies, there is a significant negative effect of tax avoidance on the firm value of the companies.

7. Suggestion

7.1 There is a need to conduct more in-depth researches on the causes of tax avoidance conduct and the strategies used by several companies that are regarded as having been doing excessive tax avoidance.

7.2 The intensity of capital in the study uses fixed asset approach because large companies generally have expired useful life of its fixed assets so the size of the fixed assets has no effect on the ETR. Future studies are suggested to measure capital intensity using other methods such as the inventory approach.

7.3 This study only uses a sample of companies registered in LQ45 in the period 2014 to 2019 so it is advisable to conduct in-depth research with a wider sample of companies to obtain more representative results

7.4 Factors that influence tax avoidance included in the research are internal company information, so it is recommended that further research include the company's external variables to reveal implications for other parties

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