THE EFFECT OF PROFITABILITY AND CAPITAL INTENSITY AGAINST TAX VOIDANCE IN MINING SECTOR COMPANIES

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Abstract: It is quite unexpected that within the tax environment, instances of tax evasion through a few people who are now no longer complying with tax rules to decrease the quantity of tax that groups must pay to be able to obtain better income are still frequent. This observation became performed by the authors to illustrate the consequences of profitability and capital depth variables on tax avoidance of mining zone corporations indexed at the Indonesian Stock Exchange. The first observed population consisted of 34 mining corporations indexed at the Indonesian Stock Exchange from 2014 to 2021. The sampling technique for this observe come 14 corporations indexed the usage of the centered sampling technique and met all pattern choice criteria. The records used in this observation are secondary records inside the shape of economic statements taken from the company's annual report. The F take a look at effects display that each profitability and capital depth have a vast impact on tax avoidance at the identical time, which may affirm the regression version covered in this observation. A partial t take look at indicates that profitability has a bad impact on tax avoidance, whilst capital depth has no vast impact on company tax avoidance.
Keywords: Capital Intensity; Profitability; Tax Avoidance

INTRODUCTION

The current economic growth has led to increased competition in the work environment. Entrepreneurs must innovate on all fronts to compete in business. Mining crashed in March 2015, and soaring world oil prices forced mining company stocks to update their 2016 Indonesia stock algorithm. Mining company share prices fell again in February 2017, then rose in December 2017 and rose in early February 2018. Mining company share prices also rose in January 2018.

The proportional cost explosion is due to the positive sentiment of those who have high hopes for the mining business due to the ongoing profit boom. Of course, the more taxes corporations pay, the more herbs associated with increasing state profit taxes. But on the contrary, taxes are an obligation for business actors to influence lost internet profits. (Indah, 2019) notes that Indonesia adheres to the tax series self-evaluation tool set out in Article 12 of the General Regulations on Taxation. The usefulness of this tax regulation provides a loophole to minimize the total tax payable, including the tax burden. As a result, it is not surprising that many agencies are still involved in tax evasion.

METHODS

Quantitative descriptive is a method in this research design. Mining companies indexed on the Indonesia Stock Exchange (IDX) from 2014 to 2021 are population and are taken from trusted internet sites via the link www.idx.co.id. To determine the sample using goal sampling. That is, the pattern is decided according to the standard set by the researcher.

1. Companies that have data and are registered on the IDX website provide clear financial reports for 2014-2021.
2. The mining company's annual report contains data for the variables it investigates.
3. Companies that did not experience a decrease in assets during the investigation period.

In the 2014-2021 Indonesia Stock Exchange survey of mining companies, a total of 14 mining companies were found as survey samples using the target sampling method.

Table 1. Research Sample

No.	Information	Company total
1	Companies in the minning sector Indonesia stock exchange 2014-2021 period.	34
2	Incomplete data related to research variables.	4
3	Companies that suffered losses during the investigation.	16
4	Sampel total	14

Source: Processed data, 2022

Research on 14 companies in the mining sector uses two independent variables, namely profitability (X_1) and capital intensity (X_2). Tax avoidance as the dependent variable (Y).

Table 2. Operational Variables

Variables	Definition	Indicator	Scale
Profitability (X_1)	The company's expertise in generating profits.	Assets, sales proceeds, Direct Costs, General Activities - Asset Return = $\dfrac{Current\ year\ profit}{Total\ assets} x100\%$ (Herry, 2015)	Comparison
Capital Intensity (X_2)	*Capital intensity is* the ratio of total fixed assets to total assets	Inventory, capital and asset intensity - KAPINS = $\dfrac{Total\ fixed\ assets}{Total\ assets}$	Comparison
Tax Avoidance (Y)	One thing that must be done to avoid violating tax regulations	Tax avoidance indicator is the calculation of cash tax rates. Measured in nominal terms, where the number 1 is tax avoidance and 0 is free of tax evasion. CETR less than 25% = 1 CETR more than 25% = 0 (CETR) as follows: CETR=$\dfrac{peyment\ of\ taxes}{profit\ before\ tax}$	Nominal

Source: Data is processed from various references

RESULTS AND DISCUSSION

Based on calculations using the EVIEWS program and tested with the Chow test and Hausman test, the following calculations are obtained:

a.   Chow test.

Table 3. Chow test.

Redundant Fixed Effects Tests.
Equation: Untitled.
Cross-section fixed effect test.

Effect Test.	Statistics	Df	Problem.
cross section F.	5.524088	(13.95)	0.0000
Chi-square cross section.	63.055712	13	0.0000

Primary Data Source : Data Processing in 2022

The results above prove that the probability is 0.0000 <0.05, meaning that the FEM test can be used.

b.   The Hausmann test.

Table 4. the Hausmann test.

Correlated Random Effects - Hausman Test.
Equation: Untitled.
Random-sectional effect test.

summary.	Chi-Sq. Statistics	Chi-Sq. df	Problem.
Cross-section random.	10.874593	3	0.0124

Source: Data processed in 2022.

The table above shows a probability of 0.0124 <0.05, meaning that the FEM test can be used. The next step, according to the results obtained above, is that the FEM (Ordinary Least Square) model can be used to carry out only 2 classic assumption tests, namely the multicollinearity test and the heteroscedasticity test.

●   Multicollinearity Test.

Table 5. Multicollinearity Test

	X_1	X_2
X_1	1.000000	**-0.089403**
X_2	-0.089403	**-0.013517**

Source: Primary Data Processing in 2022

The correlation coefficients X_1 and X_2 are equal-0.089403 <0.85, correlation coefficients X_1 and

X_2 equal-0.013517 <0.85, meaning that it can be concluded that it is free of multicollinearity or passes the multicollinearity test(Napitupulu et al., 2021: 141).

● **Heteroscedasticity Test.**

Table 6. Heteroscedasticity Test

Dependent Variable: ABS (RESID).
Method: Least Squares Panel.
Example: 2014-2021.
Period includes: 8.
Cross section includes: 14.
Total panel observations (balanced): 112.

Variable	coefficient.	std. Error.	Q –Statistics.	Problem.
C	0.122295	0.122838	0.995583	0.3220
X_1	-0.000994	0.000630	-1.577877	**0.1179**
X_2	-0.001120	0.000720	-1.555423	**0.1232**

Source: Data processed in 2022

The probability values for the variables X_1, X_2 are 0.1179, 0.1232. Each variable X_1 and X_2 has a probability value > 0.05. This means that it can be said that the regression equation model does not experience heteroscedasticity or pass the heteroscedasticity test.

In addition, based on these calculations, you can determine the regression equation for panel data as follows:

$Y = 0.237364 - 0.003617.X_1 + 0.001521.X_2$

a. Its constant value is 0.237364 or 23.7364%. This means that the variable tax avoidance (Y) outside the variables X_1 and X_2 increases by 23.7364%.

b. The variable coefficient value (X_1) is -0.003617 or -0.3617%. that is, if the values of other variables are kept constant and variable X_1 increases by 1%, then variable(Y) decreases by 0.3617%.

c. The variable coefficient value (X_2) is 0.001521 or 0.1521%. This means that if the values of other variables are kept constant and the X_2 variable increases by 1%, then the tax avoidance variable (Y) also increases by 0.1521%.

a. **Test Results t**

Table 7. Test Results t

Dependent Variable: Y.
Method: Least Squares Panel.
Example: 2014 2021.
Period includes: 8.
Cross section includes: 14.
Total panel observations (balanced): 112.

Variable	coefficient.	std. Error.	t-Statistics.	Problem.
C	0.237364	0.194431	1.220814	0.2252

X_1	-0.003617	0.000998	-3.626146	0.0005
X_2	0.001521	0.001140	1.334601	0.1852

Source: Data processed in 2022

The effect of the dependent variable on the independent variable partially is as follows:

1. The results of the t test on the profitability variable (X_1)the t value obtained is -3.626146 <t table1.98 and a probability value of 0.0005< 0.05. From these calculations, the testing hypothesis is obtained, namely rejecting H0 and accepting H1. This means that it has a negative and significant effect on the profitability tax evasion.

2. The results of the t test on the capital intensity variable (X_2)obtained t value equal to 1.334601 < t table1.98 and the Probability value0.1852>0.05. Generate a test hypothesis that accepts H0 and rejects H2. No significant effect of capital intensity on tax evasion.

b.   F test results

Table 8. F test results

R-squared.	0.564153
Adjusted R-squared.	0.490748
SE from regression.	0.080168
Sum of squared residues.	0.610550
Probability logs.	132.9450
F-statistics.	**7.685414**
Prob(F-static).	**0.000000**

Source : Data Processed in 2022

Based on the results above, it is known that the calculated F value is equal to 7.685414 > F table 2.69 and Probability value 0.000000< 0.05. It was concluded that profitability and capital intensity have a significant effect simultaneously on tax evasion.

c.   Coefficient of Determination Test Results (R2).

Table 9. Test Results for the Coefficient of Determination (R2).

R-squared.	0.564153
Adjusted R-squared.	**0.490748**
SE from regression.	0.080168
Sum of squared residences.	0.610550
Probability logs.	132.9450
F-statistics.	7.685414
Prob(F-statistics).	0.000000

Source: Data processed in 2022

We can know that the value of Adjusted R.Squarea is 0.490748 or 49.0748%. It can be concluded that the value of the determinant coefficient indicates the dependent variable consisting of profitability, capital intensity is considered capable of explaining the tax avoidance variable from49.0748%. The remaining 50.9252% can be explained by other variables outside of these variables.

Discussion

Companies that have high profits will have an impact on increasing the company's tax burden. The tax burden is a burden that burdens the company and must be paid by the

company. Therefore, because the company wants to get the maximum profit, the company will look for all ways to minimize the tax burden. Companies also tend to prefer spending costs for company operational needs rather than paying taxes. This is in accordance with agency theory, where the company's management as an agent will find a way or try to make the company's burden smaller so that the company will get maximum profit. The company management will also get compensation because the company gets the maximum profit. Therefore, company management is motivated to do tax avoidance. These results are consistent with research conducted by Hidayat et al. (2020), Fauzan et al. (2019), Noviyani and Muid (2019).

Capital intensity shows how much fixed assets owned by the company. Companies that buy fixed assets will incur a depreciation expense. The depreciation expense causes a reduction in the tax burden paid in a company. However, the company does not take advantage of the depreciation expense to avoid the tax burden. However, the purpose of the company is to have a lot of fixed assets for the company's operational activities.

CONCLUSION

The conclusions drawn from the explanation above are as follows.
1. For companies in the mining sector that have become part of the Indonesia Stock Exchange (IDX), the variable dependent on profitability (X_1) has a negative effect on tax evasion (Y).
2. The dependent variable capital intensity (X_2) in mining companies has no significant effect on the dependent variable of tax evasion (Y).
3. For the mining sector which is officially on the IDX, the profitability variable (X_1) and capital intensity (X_2) simultaneously have a large influence on the tax avoidance variable (Y).

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