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PROFIT MANAGEMENT, CAPITAL INTENSITY, GENDER DIVERSITY, ON TAX AVOIDANCE WITH CORPORATE SUSTAINABILITY AS AN INTERVENING VARIABLE

Reskino, Prankyanto Tambunan
UIN Syarif Hidayatullah, Universitas Trisakti
Email : reskino@uinjkt.ac.id, ftambunan91@gmail.com

KEYWORDS
Profit management; tax; capital intensity

ABSTRACT
The highest income in Indonesia comes from tax revenue. High and low tax revenues will determine the state budget in financing public expenditures. So awareness is needed for taxpayers or entities to pay their tax obligations. However, optimizing tax revenue to the government is contrary to the conditions of taxpayers, especially business entities, namely companies. The purpose of this study is to find out profit management, capital intensity, gender diversity, on tax avoidance with corporate sustainability as an intervening variable. This research uses quantitative methods, namely research procedures that produce data in the form of numbers and are generally analyzed using descriptive statistics with the source of the data taken in this study being secondary data obtained from the financial statements of various industrial manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2021 period. This result Based on the results of the descriptive statistical analysis above, it is known that the research sample is a total of 90 samples consisting of 30 manufacturing companies for 3 years from 2019-2021 listed on the IDX. The Earning Management variable has an average value of -0.311896.

1. Introduction

The highest income in Indonesia comes from tax revenue. High and low tax revenues will determine the state budget in financing public expenditures. So awareness is needed for taxpayers or entities to pay their tax obligations. However, optimizing tax revenue to the government is contrary to the conditions of taxpayers, especially business entities, namely companies. For companies, the tax costs paid have no direct benefit; rather, it is the tax burden that will reduce the company's income or cash surplus. So that the company's management makes efforts to calculate so that the expenses resulting from taxes are emphasized to a minimum to obtain an increase in net profit after being charged to tax (Sonia & Suparmun, 2019).

Due to differences in interests between governments that want high tax revenues and companies that want low tax revenues. As a corporate taxpayer, a strategy to reduce its tax burden is by doing tax planning. Tax planning that is carried out illegally and contrary to applicable tax regulations is tax evasion, while tax planning is carried out legally and safely for taxpayers because it does not conflict with tax regulations, namely tax avoidance (tax avoidance).

According to (Sinaga & Malau, 2021), tax avoidance is an activity that aims to seek profits by utilizing or avoiding taxes contained in the Indonesian state tax system. This tax avoidance is an active opposition originating from corporate taxpayers. In other words, that there is a refusal of taxpayers or entities to pay taxes. To avoid taxes, taxpayers or taxpayers usually use their assets to hire people who understand tax laws. Companies that engage in tax avoidance usually transfer their assets to subsidiaries that are abroad. So that companies do not have to pay in full against their tax obligations and usually tax avoidance is done by taking advantage of weaknesses in laws that do not seem to violate the law.

The phenomenon of tax avoidance in Indonesia can be seen from the country's tax ratio. The government tends to collect taxes on every potential tax object optimally. Based on data obtained from the Head of the Fiscal Policy Agency (BKF) of the Indonesian Ministry of Finance, it is stated that the tax ratio in 2021 is 9.11% of Gross Domestic Product. That ratio grew 0.8% from a year earlier. The increasing tax ratio affects state revenue from the tax sector in 2021, which is IDR 1,277.5 trillion or 103.9% of the state budget target. Realization in 2021 grew 19.2% compared to the previous year, but has not managed to return to pre-pandemic achievements or in 2019, which was IDR 1,332.7 trillion (www.news.ddtc.co.id).

Based on the manufacturing index, Indonesia in 2020 faced the lowest economic contraction compared to other Asian countries, which was at a level of 27.5%, lower than South Korea at 41.6%, Malaysia 31.3%, Vietnam 32.7% and the Philippines 31.6% (Okefinance, 2020). One of the manufacturing subsectors that contributed negatively in 2020 was food crops minus 0.31%. The automotive industry experienced a decrease in car sales in 2020 by 48.35% compared to 2019 (Detikfinance, 2021). With the decrease in revenue and the hampering of the company's operational processes, the company's internal cash is also decreasing, this will cause the company to save its cash expenditures and avoid taxes to increase future investment (Aristyatama & Bandiyono, 2021)

The factor that causes tax avoidance is profit management. Management carried out by the company by management by intervening information on the financial statements so that the reports to be reported are not in accordance with the actual current year's profits. The company always maintains its performance to look good in the eyes of stakeholders. The performance of the company's management is reflected in the profit contained in the income statement. Profit information is a major concern for assessing management performance or accountability (Muttaqin & Husen, 2020). So that in maintaining the company's performance to look good in the eyes of stakeholders, the company is likely to do tax avoidance so that the profits they get can reflect the company's good performance. According to Henny (2019) which states that profit management has a positive effect on tax avoidance. However, it is different from the research of Ahmadani et al (2020) which states that profit management does not affect tax avoidance insignificantly.

Another factor that can affect tax avoidance is capital intensity. Capital Intensity is a strategy carried out by companies with the aim of investing in the form of fixed assets. Fixed assets owned by the company will generate depreciation expense, which can be an income tax deductible expense (Rinaldi, Respati, & Fatimah, 2020). Capital intensity is one of the company's performance measurements that describes how large the proportion of fixed assets to the total assets owned by the company. A high amount of fixed assets will incur high depreciation expense. From a business point of view, fixed assets are used to support the company's productivity in generating high 8%

profits, but the company will also take advantage of depreciation expenses to reduce profits to reduce tax expenses (Sutomo & Djaddang, 2017).

The amount of depreciation expense can be deducted from income so that it can affect taxable income. Depreciation of fixed assets will benefit the company by using the declining balance method. The depreciation expense borne by the company in the first year is so large that the tax paid by the company is getting smaller. In line with agency theory, company management will be opportunistic by utilizing depreciation expense to reduce taxes to maximize profits (Pratama Sari & Sulistyowati, 2020).

Dwiyanti (2019) in her research stated that capital intensity has a positive effect on tax suppression. So that the greater the capital in the form of fixed assets in the company, the more likely a company will be to avoid taxes due to depreciation that occurs in fixed assets for each year. This is supported by findings in (Sinaga & Malau, 2021), which states that capital intensity has a positive effect on tax avoidance. (Nasution, Santi, Husaini, Fadli, & Pirzada, 2020), in his research has a different opinion, which states that capital intensity negatively affects tax avoidance. Meanwhile, in Anggriantari's research (2020), it provides different results, namely capital intensity does not significantly affect tax avoidance.

According to (Harakeh, El-Gammal, & Matar, 2019) explained that *gender diversity* has a positive impact on companies, both financial performance and tax avoidance. This encourages researchers to conduct further research to describe the optimal *gender diversity* structure and its positive impact on the company. *Gender diversity* has a small composition so that it has minimal influence on company policies and tax avoidance practices (Frye & Pham, 2018). (Jarboui, Kachouri Ben Saad, & Riguen, 2020) show that the presence of women on the board of directors reduces the level of tax avoidance. The increase in human resources provided by female directors helps reduce agency problems. (Jarboui et al., 2020) also revealed that the presence of women in the top management of companies succeeded in realizing the opportunistic behavior of managers and maximizing stock interests. In addition, top management is dominated by men so they are more willing to take risks to tax avoidance practices. Strategic decisions taken by companies involving tax avoidance practices can indirectly affect the company's environmental performance. The board of directors makes logical and positive decisions to increase the value of shares, but it has side effects on the future of the company and is less transparent to the capital markets. Gender diversity respects companies by responsibly maintaining social and environmental norms.

According to (Puspita & Fairuz, 2018), *Sustainability Report* can be defined as a report that not only contains financial performance information but also non-financial information consisting of information on social and environmental activities that allow companies to grow sustainably. However, companies in Indonesia still publish *sustainability reports voluntarily. However, with OJK Regulation No. 51/(2017) regarding the implementation of sustainable finance for financial service institutions, issuers, and public companies, it is gradually required for every public company including financial service institutions to issue a Sustainability Report.* According to (Istanti, 2020) Sustainability Reporting can affect corporate tax avoidance, one of which is seen from CSR where if the company carries out social responsibility, it can be said to be a reduction in revenue or costs incurred (*deductible expense*) so that the company will pay lower taxes.

Judging from the background above, the study wants to examine **Profit Management, Capital Intensity, Gender Diversity, Tax Avoidance with Corporate Sustainability as an Intervening Variable**

Research Objectives

1. In line with the formulation of the problem above, the objectives of the study are:
2. To empirically prove or analyze the effect of profit management on tax avoidance
3. To empirically prove or analyze the effect of capital intensity on tax avoidance

4. To empirically prove or analyze the effect of gender diversity on tax avoidance
5. To empirically prove or analyze the effect of corporate sustainability on tax avoidance

2. Materials and Methods

This research uses quantitative methods, namely research procedures that produce data in the form of numbers and are generally analyzed using descriptive statistics with the source of the data taken in this study being secondary data obtained from the financial statements of various industrial manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2021 period. Data is obtained through intermediary media or from other parties such as the Indonesia Stock Exchange (www.idx.co.id) website and other official websites of the companies sampled.

The collection of research data is carried out through documentation studies, which are data collection techniques that are not directed directly to the research subject, but obtained through documents. This research is also carried out through literature studies, namely from documents, books, the internet and other written data sources in the form of theories, research reports or previous findings related to the information needed.

The population used in this study is manufacturing companies in various industrial sectors listed on the Indonesia Stock Exchange in the 2019-2021 period. The method used in sampling is the purposive sampling method. Purposive sampling is a sampling technique with certain considerations (Sugiyono, 2019). The sample of this study amounted to 30 companies.

This research uses Eviews software by using panel data tests, namely by testing models such as chow tests, hausman tests and multiplier tests. After testing the new model, test the hypothesis with measurements, if the results of this test show a significant value of > 0.05, then the hypothesis is rejected. Meanwhile, if the significance value is below 0.05, the hypothesis is accepted (Ghozali, 2018). The following is the regression equation of panel data regarding Profit Management, Capital Intensity, Gender Diversity as an independent variable, then Tax Avoidance as a dependent variable and Corporate Sustainability as an Intervening Variable.

Y(TA) = α + β1 ML + β2 CI + β3 GD + β4 CS e

Keterangan:

α = Konstanta
β = Regression coefficient
TA = Tax avoidance
ML = Profit management
CI = Capital intensity
GD = Gender diversity
CS = corporate sustainability
e = error

3. Result and Discussion

Table 2
Uji deskriptif

Date: 05/26/23 Time: 15:46					
Sample: 2019 2021					
	TA	DA	Capital_Intensity	Gender	Corporate_Sustainability
Mean	5.032836	-0.311896	0.364729	0.866667	0.344733
Median	0.263676	-0.191783	0.382101	1.000000	0.305195

Maximum	317.3294	4.382624	0.757247	1.000000	0.636364
Minimum	0.001674	-15.44325	0.000613	0.000000	0.077922
Std. Dev.	33.79924	1.694358	0.210728	0.341839	0.167464
Skewness	8.941587	-7.803339	-0.020470	-2.157277	0.278356
Kurtosis	82.85683	72.94067	1.996109	5.653846	1.814705
Jarque-Bera	25113.45	19257.25	3.785524	96.21857	6.430691
Probability	0.000000	0.000000	0.150655	0.000000	0.040141
Sum	452.9553	-28.07065	32.82559	78.00000	31.02597
Sum Sq. Dev.	101672.6	255.5056	3.952174	10.40000	2.495922
Observations	90	90	90	90	90

Source: Eviews, Data processed, 2022

Based on the results of the descriptive statistical analysis above, it is known that the research sample is a total of 90 samples consisting of 30 manufacturing companies for 3 years from 2019-2021 listed on the IDX. The Earning *Management* variable has an average value of -0.311896. This shows that manufacturing companies have an average value of 0.31 in cash in, revenue and cash out management for the business to generate profits. The minimum value is -15.44325, and the standard deviation value is 4.382624 < from the average value, the variable data is normally distributed. The *capital intensity* variable has an average value of 0.364729. This shows that manufacturing companies have an average value of 0.364. The minimum value is 0.000613, and the standard deviation value is 0.210728 < from the average value, the variable data is normally distributed. The *gender diiversity* variable has an average value of 0.866667. This shows that manufacturing companies have an average value of 0.866. The minimum value is 0.000000, and the standard deviation value is 0.341839 < from the average value, the variable data is normally distributed. The variable *corporate sustaiinablity* has an average value of 0.344733. This shows that manufacturing companies have an average value of 0.344. The minimum value is 0.077922, and the standard deviation value is 0.167464< from the average value, the variable data is normally distributed. The *tax avoidance* variable has an average value of 5.032836. This shows that manufacturing companies have an average value of 5,032. The minimum value is 0.001674, and the standard deviation value is 33.79924 < from the average value, the variable data is normally distributed.

Table 3
hasil pengujian model penelitian

Testing	Indicator	Probabilitas	Accepted models
Uji Chow	*Cross-section F*	0.5095	*Common effect*
	Cross-section Chi-square	0.1468	
Uji Hausman	*Cross-section random*	0.9141	*Random Effect*
Uji LM	*Cross-section One-sided*	0.9231	*Random Effect*

Source: Eviews, Data processed,2022

Based on the results above, the regression model that is suitable for this study is a random effect model because the Hausman test and LM test show that the regression model that is suitable for use is a *random effect* model. This indicates that there is a difference between time differences and individual differences and the liberation of classical assumption tests due to the use of the GLS (*generalized least square*) method in the *random effect model test.*

Tabel 4
Hasil regresi Model Random Effect

Variabel	Prediction	Tax avoidance	Result
Constant		1.132801	
LX1	β+	4.393073	Accepted
Sig		0,0000	
LX2	β+	-1.741370	Rejected
Sig		0.0852	
LX3	β+	5.104414	Accepted
Sig		0.0000	
LX4	β+	-0.586800	Rejected
Sig		0.5589	
LX5	β+	-1.325392	Rejected
Sig		0,1886	
LX6	β+	-1,723110	Rejected
Sig		0,0885	
LX7	β+	1,193378	Rejected
Sig		0,2360	
Adjusted R-squared		0.560972	
F-statistic		5.999837	

Description: *** Statistically supported at alpha 1%**alpha 5% and *alpha 10%
Source: Eviews, Data processed,2022

Tax avoidance* = 1,132 + 0.451 Profit Management + (1,831) capital intensity + 4,234 gender diversity + (0,678) corporate sustainability + *e

The results of hypothesis testing in table 4 show that the t-Statistic *value* is 4.393073, while *the prob.*From profit management is 0.0000 which means 0.0000 < 0.05 indicates that profit management variables affect *tax avoidance*. Based on the hypothesis, Ha is accepted, which means that profit management variables affect *the tax avoidance of manufacturing companies listed on the IDX in 2019-2021*. t-Statistic value of *-1.741370 and* prob. *value of 0.0852 which means 0.0852 > 0.05 indicates that the capital intensity variable has no effect on* tax avoidance. Based on the hypothesis, H0 is accepted, which means that variable capital intensity does not affect the *tax avoidance of* manufacturing companies listed on the IDX in 2019-2021. t-Statistic value is -5.104414 , while *prob.*Gender diversity is 0.0000 which means 0.0000 < 0.05 indicates that the gender diversity variable affects *tax avoidance*. Based on the hypothesis, Ha is accepted, which means that the gender diversity variable affects the *tax avoidance of* manufacturing companies listed on the IDX in 2019-2021. t-Statistic value is -0.586800, while *prob.* Corporate sustainability is 0.0030 which means 0.5589 > 0.05 indicates that corporate sustainability variables have no effect on *tax avoidance*. Based on the hypothesis, Ha is accepted, which means that the corporate sustainability variable does not affect the *tax avoidance of* manufacturing companies listed on the IDX in 2019-2021. The results of corporate sustainability mediation are unable to mediate the effect of profit management, capital intensity and gender diversity on *tax avoidance.*

The value of the Adj R-squared *coefficient* of 0.58 or 58%, this value means that the variables of profit management, capital intensity, gender diversity and corporate sustainability are able to explain *tax avoidance* by 58%, while the remaining 42% can be explained by variables other than those used in this study

4. Conclusion

Based on phenomena, problem formulations, hypotheses and research results conducted on manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2021 period, it can be concluded that simultaneously the variable of profit management has a positive effect on tax avoidance. That is, companies that have high profit management will have an influence on increasing tax avoidance. Capital intensity does not affect tax avoidance That is, high capital intensity will not affect tax avoidance. Gender diversity has a positive effect on tax avoidance. That is, companies that have high gender diversity will have an influence on increasing tax avoidance. Corporate sustainability has no effect on tax avoidance. That is, companies that have corporate sustainability will not affect tax avoidance. The results of corporate sustainability mediation are unable to mediate the effect of profit management, capital intensity and gender diversity on tax avoidance.

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