THE URGENCY OF TAX AVOIDANCE MODERATED BY THE UTILIZATION OF *TAX HAVENS COUNTRY*

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Article Process:

Received 12-05-2023
Revised 01- 11, 2023
Accepted 01-15-2024

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DOI:
http://dx.doi.org/10.30813/jab.v17i1.4815

Abstract

Background: Tax avoidance can work because there is tax planning in advance from the taxpayer. This tax planning is legal because it utilizes loopholes that are not regulated in tax regulations. If tax planning meets business needs, the results can be said to be good.
Objective: The purpose of this study is to examine how the use of tax avoidance as a moderating factor impacts thin capitalization, capital intensity, and corporate social responsibility.
Research Methods: This is a quantitative study that applies hypothesis testing. This study involved 26 manufacturing companies listed on the IDX from 2017 to 2021. The purposive sampling method was used to collect data. The data was tested with multiple linear regression.
Research Results: *Thin capitalization* and *capital intensity* have a significant positive effect on tax avoidance, while *corporate social responsibility* has no effect on tax avoidance. The use of *tax havens country* cannot moderate the influence between *thin capitalization* and *corporate social responsibility* on tax avoidance.
Originality/Wideness of Research: Using data from 2017-2021, this study investigates the relationship between thin capitalization, capital intensity, and corporate social responsibility on tax avoidance with the use of tax havens as moderation.
Keywords: Tax Avoidance*; Thin Capitalization*; *Capital Intensity*; *Corporate Social Responsibility*; *Tax Havens Country* Utilization.

Introduction

Many companies often use leeway in tax regulations to gain profits. Tax avoidance is one way with the aim of reducing the tax burden by utilizing leeway in tax regulations. Tax *avoidance* is a legal tax system, namely for individual taxpayers or business entities by utilizing tax loopholes (*loop holes*), and by conducting legal business activities in accordance with the law, but still contrary to the spirit and purpose of tax legislation (Simanjuntak, 2019).

Tax planning in advance from taxpayers allows tax prevention measures. The taxpayer's activity carried out to maximize profit after tax is tax planning. This is done by taking advantage of opportunities that exist in the tax regulations to conduct careful analysis. This tax planning is legal because they look for regulatory weaknesses or take advantage of unregulated regulatory loopholes. If the tax planning meets the needs of the business, the results can be considered good. Sometimes plans have to be adjusted as laws change. Even if there is an increase in cost, the steps must be taken.

Indonesia does not have relatively powerful regulations for tax avoidance, because Article 18 of the Income Tax Law only regulates efforts to avoid paying taxes through the application of the transfer pricing concept. however, other methods of avoiding taxes have not been regulated. therefore, the state is obliged to reform the tax system. because taxes play a crucial role in state revenue. with tax reform carried out by the government, it is necessary that taxes will become the main source of state revenue. (Susanto, 2022).

This research is supported by research conducted by (Widodo *et al*., 2020), and concluded that *thin capitalization has* an influence on tax avoidance, while the use of *tax havens country* as a moderating variable also has a significant effect and strengthens the influence of *thin capitalization* on tax avoidance, the difference is that this study utilizes a sample from manufacturing companies while the study uses a sample of multinational companies and uses different proxies. So that it will cause inconsistent results. In addition, this study also adds *capital intensity* and *corporate social responsibility* as independent variables.

There are related issues regarding tax avoidance carried out by companies and individuals. In 2021, there was a confidential document consisting of 11.9 million records contained in the *Pandora Papers* revealed by the *International Consortium of Investigate Journalists (ICIJ)* which linked *tax havens countries*. The issue is associated with the relationship of Indonesian officials who have influence on *tax haven* companies (icij.org). The issue of tax avoidance also occurs in tobacco companies, namely *British American Tobacco* (BAT) conducting tax avoidance through companies in Indonesia, namely PT. Bentoel Internasional Investama by diverting some of its income outside Indonesia. As a result, the government suffered a loss of US$ 14 million per year (kontan.co.id, 2019).

The first factor that can affect tax avoidance is *thin capitalization. Thin capitalization* means that the company's capital is relatively small compared to the activities that generate the debt structure. The increase in the amount of corporate loans will cause interest expense to increase and taxable income to decrease, which has an impact on income. (Utami & Irawan, 2022). *Thin capitalization is* characterized by a tendency for a higher debt-to-capital ratio to result in higher tax avoidance.

The second factor that affects tax avoidance is *capital intensity. Capital intensity* is a deliberation carried out by managers with the aim of presenting an increase in profits for the company and utilizing investment in the form of fixed assets. The greater the fixed assets, the greater the level of tax avoidance implemented. The company utilizes the income generated through assets that experience depreciation or decline in value. Depreciation occurs on almost all assets, which will be reported in the financial statements as depreciation expense. As a result, the tax rate that the company is obliged to pay is negatively correlated with the depreciation expense. (Zoebar & Miftatah, 2020). To reduce the tax burden, managers will allocate the company's idle funds to fixed assets. (Wiguna & Jati, 2017).

In addition, companies are also required to be responsible for all their company activities. Companies not only have responsibilities based on financial benefits but also have social and environmental responsibilities. (Dewi & Noviari 2017). *Corporate social responsibility* is a sustainable business commitment that generates economic growth through the cooperation of interested parties and has an impact on the general public and the surrounding environment in order to improve the quality of facilities and the sustainability of local communities through strategies that provide benefits, both in the business world or society as a whole or for development (Dharma & Noviari, 2017).

Another thing related to tax avoidance is the *tax haven country*. The emergence of countries that set low tax rates or known as *tax havens countries* has increased the practice of tax avoidance. According to the Investopedia website, a *tax haven* is a country that offers low tax obligations to foreign individuals and companies in stable economic conditions and does not provide financial information at all to foreign tax authorities.

Anggraeni and Oktaviani (2021) prove that *thin capitalization* has a positive influence on tax avoidance using the proxies ETR (*Effective Tax Rate*) and DER (*Debt to Equity Ratio)*. Research Sandra and Anwar (2018), Dwiyanti and Jati (2019) proves that *capital intensity has* no impact on tax avoidance. Amalia (2019) found that *corporate social responsibility has a* positive effect on tax avoidance. This result is different from the research conducted Apriliyanti (2021) shows that *corporate social responsibility* does not significantly affect tax avoidance. Widodo, Diana, and Mawardi (2020)The results of the study state that *tax havens have* a significant effect on tax avoidance through the use of the ETR (*Effective Tax Rate*) proxy.

Research Wijaya and Rahayu (2021) proves that the use of *tax* havens does not have a significant effect on tax avoidance. And research conducted by Nugraha and Kristanto (2019) developed the idea that the utilization of affiliated companies is not influenced by the size of a company's foreign income in a *tax haven* country. So based on the phenomenon, theoretical support and description because there are inconsistencies between different research results, the researcher decided that additional research was needed to find empirical evidence and evaluate the variables that influence tax avoidance. And this exposure makes the background of this research.

Literature Review

Agency Theory

According to Supriyono (2018), the concept of *agency* theory is the relationship that exists between the agent (contract recipient) and the principal (contract giver), agents can be contracted by the principal to work for the interests or goals of the principal, so that the principal can give them the authority to make decisions to achieve these goals. Agency theory assumes that individuals are motivated to make choices that maximize their interests. While the interests of the agent may conflict with the interests of the entity, the interests of the principal are considered to correspond to the interests of the intensity. (Sima, 2018). In terms of tax avoidance, agency theory says that shareholders have a desire for management to organize financial statements that hand over profits to them so that management can organize significant profits while reducing the small tax burden. Thus, the way management avoids taxes is by setting its financial statements as low as possible. Because they set their taxes as low as possible, the money that should be paid to pay taxes is not paid in full. This residual allocation will benefit the company. (Andawiyah *et al*,. 2019).

Hypothesis Development

Thin Capitalization is applied in tax avoidance practices because it becomes an interest expense for the company, so that it can reduce tax income (*deductible expense*). With interest expense, companies can take advantage of tax deductions at higher rates. When they make transactions with related parties, companies can set transfer prices through *transfer pricing* practices. This encourages businesses to transfer profits between companies due to the intensity of increasing worldwide income through tax avoidance. (Utami & Irawan, 2022). Research (Utami & Irawan, 2022) and (Widodo *et al*., 2020)(Widodo et al., 2020), show the effect of *thin capitalization* on tax avoidance, which means that businesses that use *thin capitalization* strategies seek to reduce their taxes.

H1: *Thin Capitalization* Affects Tax Avoidance.

Capital intensity is how a business invests in its fixed assets. Companies that have fixed assets can show depreciation on their income statement, which can reduce the company's profit. Depreciation on the income statement is proportional to the company's fixed assets. Therefore, the amount of depreciation can be utilized to carry out *tax* avoidance. (Wulandari *et al*., 2020).

The more permanent assets a company has, the greater the depreciation expense on the income statement. (Wulandari *et al*., 2020). In research (Wulandari *et al*., 2020) an*d* (Sandra and Anwar, 2018) there is a significant impact between capital intensity and tax avoidance. This shows that companies that have fixed assets can experience depreciation, which can reduce profits. The more fixed assets a company has, the greater the depreciation expense on the income statement.

H2: *Capital Intensity* affects Tax Avoidance

Corporate social responsibility means that the company's activities are socially responsible to the surrounding community and society at large to stakeholders. As a result, the company's goals are not only focused on profit but also on the environment. Companies that carry out social responsibility to citizens tend not to do tax avoidance. In addition, companies perform corporate social responsibility actions for social purposes in order to form a positive image in the community. Companies that have a good reputation try to maintain it by avoiding actions that can disrupt their reputation, such as avoiding *tax* avoidance. (Amalia, 2019).

In research (Hidayat *et al.*, 2018) an*d* (Amalia, 2019) there is a significant influence between *corporate social responsibility* and tax avoidance. This shows that the higher the CSR value, the higher the ETR value, where a high ETR value indicates a low level of tax aggressiveness. CSR disclosure is a form of corporate responsibility and one way to gain community legitimacy. If the positive legitimacy of a company has been formed, the company will always try to maintain that legitimacy. One of the efforts is not to do tax avoidance.

H3: *Corporate Social Responsibility* affects tax avoidance.

Countries known as tax havens have very low tax regulations, low rates, and even no taxes levied to provide reasonable tax facilities for foreign investors. (Widodo et al., 2020). Companies incorporated in tax havens can shift their income from higher tax jurisdictions to lower tax jurisdictions by using transfer pricing, intercompany debt, and intangible asset shifting. The manager as an agent chooses to open a branch in a country that he thinks is a large market share, although the manager must also think about the costs of opening a branch, one of which is political costs. These costs can certainly be compensated for by tax savings resulting from tax avoidance by managers. Therefore, companies certainly want to reduce corporate tax costs by utilizing tax *havens countries*. The use of tax *havens countries* is one way that taxpayers can avoid or reduce the amount of tax to be paid. By utilizing tax *havens* countries to move their income to these countries, so as to minimize the amount of tax to be paid.

This statement matches the research findings. (Widodo *et al*., 2020) which states that the moderating variable of utilization of tax-free countries can control the relationship between tax avoidance and capitalization.

H4: The utilization of *Tax Havens Country* moderates the relationship between *Thin Capitalization* and *Tax* Avoidance.

To get the desired compensation by improving company performance, company managers are more important than tax authorities. To reduce their corporate tax burden, managers can use fixed asset structuring. They will invest company funds in fixed assets with the aim of generating depreciation, which in turn will reduce their corporate tax burden (Ulfa *et al*., 2021).

Each country provides protection and convenience for investment in fixed assets. Therefore, many stakeholders who divert their funds want to invest in *tax-haven* countries. This is in accordance with research (Dwiyanti and Jati, 2019) which states that the moderating variable of *tax havens country* utilization is able to moderate the relationship between *capital intensity* and tax avoidance.

H5: The utilization of *Tax Havens Country* moderates the relationship between *Capital Intensity* and *Tax* Avoidance.

Utilization of tax *havens* is one of the mandatory tax methods to avoid or reduce the amount of tax required to be paid by moving income to a *tax havens country* (Nofryanti & Nurjanah, 2019). In this case, companies that contain high *corporate social responsibility* values have low tax avoidance, so they have no impact on the utilization of *tax havens countries*. Meanwhile, companies that contain low *corporate social responsibility* values, the high tax avoidance indicate that the business utilizes the functions of the *tax havens country*. Research conducted by January & Suardikha (2019) states that the moderating variable of *tax havens country utilization is* able to moderate the relationship between *corporate social responsibility* and tax avoidance.

H6: The utilization of *Tax Havens Country* moderates the relationship between *Corporate Social Responsibility* and *Tax* Avoidance.

The use of *tax havens* in a country is an attempt by companies to set up business in a country that offers tax incentives. Tax havens have jurisdictions that do not impose taxes (or impose low tax rates), have laws or administrative practices that prevent the effective exchange of information, and provide a place for non-residents to avoid taxes. Multinational companies utilize tax haven incentives to reduce or defer tax liabilities. Therefore, *tax havens* can be described as pioneers in the practice of tax avoidance in the international arena. (Damayanti & Prastiwi, 2017)..

The above statement is reinforced by research conducted Widodo *et al*., (2020) and the results of his research show that the use of *tax havens country has a* positive effect on tax avoidance.

H7: *Tax Havens Country* utilization affects tax avoidance.

Research Methods

In this study, a quantitative approach was used. According to Sugiyono (2019), the quantitative approach more often uses statistical analysis to analyze what will happen in the research.... The secondary data used in this study comes from the company's financial statements which can be found on the Indonesia Stock Exchange (www.idx.co.id).

The population in this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the 2017-2021 period with a total of 26 companies. The selection of manufacturing companies on the IDX is because many manufacturing companies are multinational companies and the research year 2017-2021 was taken because in that year there was a covid and there were indications that the company was doing tax avoidance. In sampling, there are predetermined criteria, namely as follows: 1). Manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2017-2021; 2). Manufacturing companies that did not publish financial reports during the 2017-2021 period; 3). Manufacturing companies with foreign currency for the period 2017-2021; 4). Manufacturing companies that do not have overseas branches for the 2017-2021 period; 5). Manufacturing companies that experienced losses for the period 2017-2021.Based on these criteria, the sample for the study was 26 companies with 130 total observations.

Operational Definition of Variables

Dependent Variable

In this study, the dependent variable is tax avoidance, which is calculated using the *Effective Tax Rate* (ETR), namely by comparing the amount of tax expense with the amount of profit before tax. TAV formula according to (Rista & Mulyani, 2019) and (Anggraeni & Oktaviani, 2021):

$$\boxed{ETR = \frac{Beban\ Pajak\ Penghasilan}{Laba\ Sebelum\ Pajak}}$$

Independent Variable

a. *Thin Capitalization* (TC)

Thin capitalization is the creation of a company's capital structure that combines a large debt balance with low capital. (Salwah & Herianti, 2019). That is, how much debt the company has compared to its assets. *Thin capitalization* formula according to (Sima, 2018) and (Lucky & Murtanto, 2022) is as follows:

$$DER = \frac{Total\ Utang}{Total\ Ekuitas}$$

b. *Capital Intensity* (CI)

Capital intensity is an illustration of the company's fixed asset investment strategy. Management can use depreciation to reduce the tax paid by the company. Companies that do not have many fixed assets cannot avoid taxes because the accounting period is shorter than the economic life of the assets. On the other hand, a higher ratio of fixed assets, which can minimize profits and increase tax avoidance, can reduce the company's tax burden. (Nadhifah & Arif, 2020) and (Apriliyanti, 2021). The following is the *capital intensity* formula*:*

$$CI = \frac{Total\ Non\ Current}{assets\ total\ Assets}$$

c. *Corporate Social Responsibility* (CSR)

Corporate social responsibility is calculated by using 91 CSR disclosure indicators that refer to the *Global Reporting Index* (GRI) 4.0. When a company discloses an indicator, it is given a value of 1, otherwise, it is given a value of 0. The following is the formula for *Corporate social responsibility* according to (Ningrum *et al*., 2018) and (Amalia, 2019):

$$Pengungkapan\ CSR = \sum Xi \div N$$

Moderating Variable

In this study, the moderating variable used is *Tax Havens Country* (THC) Utilization. *Tax havens country* is a country that deliberately sets very low tax regulations with low rates and even no taxes levied to offer easy tax facilities for foreign investors. (Widodo *et al*., 2020).

The measuring instrument used in the use of *tax havens* is as a *dummy* variable, 1 if the company has a subsidiary incorporated in a *tax haven* and recognized in the OECD, otherwise it is 0. The following THC formula is used according to (Nugraha & Kristanto, 2019) and (Wijaya & Rahayu, 2021):

$$Tax\ Havens\ Country =$$
$$Total\ Subsidiaries\ di\ tax\ havens\ country$$

Research Model

This study uses multiple linear analysis using *Eviews 12. The* equation used for the multiple regression model is as follows:

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4\ (TC.THC) + \beta 5\ (CI.THC) + \beta 6\ (CSR.THC) + e$$

Description:

Y	= Tax Avoidance
α	= Constant (intercept)
β	= Regression Coefficient
TC	= *Thin Capitalization*
CI	= *Capital Intensity*
CSR	= *Corporate Social Responsibility*
THC	= *Tax Havens Country* Utilization
TC.THC	= The multiplication variable between *thin capitalization* and the use of *tax havens country* which describes the effect of *moderating* variables, the use of *tax havens country* on the relationship between *thin capitalization* and tax avoidance.
CI.THC	= Multiplication variable between *capital intensity* and utilization of *tax havens country* which describes the effect of *moderating* variables, utilization of *tax havens country* on the relationship between *capital intensity* and tax avoidance.
CSR.THC	= Multiplication variable between *corporate social responsibility* and utilization of *tax havens country* which describes the effect of *moderating* variables, utilization of *tax havens country* on the relationship between *corporate social responsibility* and tax avoidance.
e	= *Item error*

Results and Discussion

Descriptive analysis describes the object of research, namely TC, CI, CSR and TAV with THC as a moderator. The results of descriptive statistics presented in Table 1 show the disclosure of TAV obtained the lowest value (minimum) 0.032015, the highest value (maximum) 0.721565, the average value (mean) 0.258910 median 0, 249503 and standard deviation is 0.090727. The average value of 0, 258910 indicates that the average proportion of tax avoidance included in the study is around 25.89%. The standard deviation value of 0.090727 (9.07%) indicates that there is a relatively large difference in the tax avoidance of the research sample companies. The average is greater than the standard deviation value, namely 0, 258910> 0.090727, which means that the distribution of tax avoidance values is good.

The results of descriptive statistical analysis of *thin capitalization* (TC) values range from 0.002300 to 3,824769 with an average (mean) of 0.763512, median 0.607484 and standard deviation 0.574071. The lowest (minimum) *thin capitalization* value is 0.002300 owned by PT Tunas Baru Lampung Tbk. The highest (maximum) value is 3.824769 which is at PT Prydam Farma Tbk. The results of descriptive statistical analysis of *capital intensity* values range from 0.049119 to 0.718577 with a mean (average) of 0.361898, median 0.339406 and standard deviation 0.148283. The lowest (minimum) environmental performance rating of 0.049119 is held by PT Nippon Indosari Corpindo Tbk. The highest value of 0.718577 is owned by PT Semen Indonesia (Persero) Tbk.

Table 1. Descriptive Statistics Test Results

	TAV	TC	CI	CSR	THC
Mean	0.258910	0.763512	0.361898	0.296365	0.646154
Median	0.249503	0.607484	0.339406	0.252747	1.000000
Maximum	0.721565	3.824769	0.718577	0.648352	1.000000
Minimum	0.032015	0.002300	0.049119	0.120879	0.000000
Std. Dev.	0.090727	0.574071	0.148283	0.132364	0.480012

Source: Data Processed

The results of descriptive statistical analysis of *corporate social responsibility* values range from 0.120879 to 0.648352 with a mean (average) of 0.296365, median 0.252747 and standard deviation 0.132364. The lowest *corporate social responsibility* value (minimum) of 0.120879 is owned by PT Ekadharma Internasional Tbk. The highest (maximum) *corporate social responsibility* value of 0.648352 is owned by PT Semen Indonesia (Persero) Tbk. The results of descriptive statistical analysis of the value of utilization of *tax havens country* ranges from 0.000000 to 1.000000 with a mean (average) of 0.646154, a median of 1.000000 and a standard deviation of 0.480012. The lowest (minimum) *tax havens country utilization* value of 0.000000 is owned by PT Tunas Baru Lampung Tbk. The highest (maximum) *tax havens country utilization* value of 1.000000 is owned by PT Kino Indonesia Tbk.

Regression Analysis Results

The regression analysis results are presented in Table 2 below:

Table 2. Moderated Regression Analysis Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TC	0.061224	0.013512	4.531032	0.0000
CI	0.300964	0.073046	4.120207	0.0001
CSR	-0.121774	0.074288	-1.639205	0.1037
TCTHC	0.021488	0.051596	0.416471	0.6778
CITHC	-0.522770	0.206744	-2.528584	0.0127
CSRTHC	0.407735	0.295983	1.377562	0.1709
TAVTHC	0.430470	0.095668	4.499618	0.0000
C	0.118347	0.034860	3.394956	0.0009

Source: Data Processed

Discussion

Effect of Thin Capitalization on Tax Avoidance

Based on the test results in Table 2, the t-statistic value (4.4531032) > t-table (1.97897) and the prob. value of 0.0000 <; α = 0.05, so (H_1) is accepted. Therefore, it can be concluded from these results that *thin capitalization has a* significant positive effect on tax avoidance. The higher the *thin capitalization, the* higher the interest expense that must be paid by the company, which in turn will reduce the company's profit and ultimately reduce the income tax payable. So the greater the *thin capitalization* owned by the company, the higher the interest expense which results in a reduction in the existing income tax payable, thereby increasing the practice of *tax avoidance*. Companies that exceed or approach the interest limit allowed by the rules of *thin capitalization* tend to do tax avoidance. The company has two sources of capital, namely either debt or equity. This creates gaps and opportunities for companies to avoid taxes through the benefits of interest.

The results of this study are consistent with research (Utami and Irawan, 2022) which found that *thin capitalization* increases tax avoidance. However, the findings of this study contradict recognized research (Anggraeni and Oktaviani, 2021)which shows that *thin capitalization has* no impact on *tax avoidance.*

Effect of Capital Intensity on Tax Avoidance

Based on the t-test results, the t-statistic value (4.120207) > t-Table (1.97897) and Prob. value of 0.0001 < α = 0.05, so (H_2) is accepted. Therefore, it can be concluded that *capital intensity has a* positive effect on tax avoidance. Depreciation of fixed assets will be a cost or expense for the company. By reducing the company's profit, the company can utilize the depreciation of fixed assets as the basis for calculating corporate tax on its tax obligations. Where fixed assets are the assets of significance value to the company that has an impact on the company in reducing income. Indicating that *capital intensity* increases, the company is increasingly doing *tax avoidance*.

Basically, fixed assets will experience depreciation which will become depreciation costs in the company's financial statements. This depreciation cost can be deducted from income in the calculation of corporate tax. This means that the greater the depreciation expense, the smaller the level of tax that must be paid by the company. This has a significant impact on companies with a large *capital intensity* ratio level showing a low tax rate, with a low tax rate indicating the company is practicing tax avoidance. (Ayem & Setyadi, 2019).The results of this study are in line with the findings conducted by (Sandra and Anwar, 2018) and (Dwiyanti & Jati, 2019) which states that *capital intensity has a* positive effect on *tax avoidance.*

Effect of Corporate Social Responsibility on Tax Avoidance

Based on the t-test results, it shows that the t-statistic value (-1.639205) < t-Table (1.97897) and the Prob. value of 0.1037 > α = 0.05. Therefore, (H_3) is rejected, which indicates that *corporate social responsibility* has no influence on *tax avoidance. The* results of this study present the implication that the company really implements *corporate social responsibility* activities based on the responsibility owned by the company itself. This responsibility will be realized in the evidence of the assessment given by the community to the company. So that the company will continue to strive to always get a good and positive assessment from the community, one of which is by not carrying out actions that are considered deviant in the norms that apply in society. Meanwhile, tax avoidance is a behavior that is considered unethical, although there is actually tax avoidance that is still categorized as a *good business purpose. Corporate social responsibility* is a form of fulfilling social responsibility to stakeholders for business actions carried out by the company so that the company's goals are not only profit-oriented but also environmental. When the company carries out social responsibility to the community, the company tends not to do tax avoidance. In addition to social purposes, companies carry out CSR in order to build a positive image in the community. When a positive image has been built, the company tries to maintain a positive image by not doing things that can make the reputation go down, for example by not doing tax avoidance. (Amalia, 2019).These results are in line with research conducted by (Apriliyanti, 2021) which states that *corporate social responsibility is* not affected by *tax avoidance.*

The Effect of Thin Capitalization on Tax Avoidance with Tax Havens Country Utilization as a Moderator

Based on the t-test results, the t-statistic value (0.416471) < t-Table (1.97897) and the Prob. value of 0.67788 > α = 0.05 so that (H_6) is rejected. Therefore, it can be concluded that the use of *tax havens country is* not able to moderate the effect of *thin capitalization* on *tax avoidance*. Companies take advantage of the implementation of *thin capitalization* rules and financing in tax *havens countries* for tax cuts. Because companies incorporated in tax-protected countries can use intercompany debt practices to reduce high tax revenues. So it can be concluded that for companies that contain high *thin capitalization* values, tax avoidance is also high. These results contradict previous research, namely (Anggraeni & Oktaviani, 2021) which states that the use of *tax havens countries* does not strengthen the effect of *thin capitalization* on *tax avoidance.*

The Effect of Capital Intensity on Tax Avoidance with Tax Havens Country Utilization as a Moderator

Based on the t-test results, the t-statistic value (-2.528584) < t-Table (1.97897) and Prob. value of 0.1027 > α = 0.05 so that (H_5) is rejected. Therefore, it can be concluded that the utilization of *tax havens country is* not able to moderate the effect of *capital intensity* on *tax avoidance*. Companies utilize the value of *capital intensity,* namely by maximizing depreciation expense through fixed asset investment activities in *tax havens countries* so that it will have an impact on the low corporate tax burden, but based on the number of fixed assets owned by the company for the benefit of its operations, namely to provide goods and services. (Apriliyanti, 2021). That way, many parties are expected to be interested in investing in *tax haven countries.* (Nugraha & Kristanto, 2019).. Here the *tax havens country* cannot moderate the relationship between *capital intensity* and tax avoidance because companies that utilize *capital intensity* well, their tax payments will be low so that the company does not do tax avoidance and also does not need the *tax havens country* facility itself.The results of this study are in line with research (Wulandari *et al*., 2020) which states that the use of *tax havens country* does not strengthen the effect of *capital intensity* on *tax avoidance.*

The Effect of Corporate Social Responsibility on Tax Avoidance with Tax Havens Country Utilization as a Moderator

Based on the t-test results, the t-statistic value (1.377562) < t-Table (1.97897) and the Prob. value of 0.1709 > α = 0.05 so that (H_6) is rejected. Therefore, it can be concluded that the utilization of *tax havens country is* not able to moderate the effect of *corporate social responsibility* on *tax avoidance*. Companies that contain high *corporate social responsibility* index values do not utilize *tax havens countries,* so the tax avoidance practices implemented are low. The presence or absence of a *tax havens country* will not affect the company's *corporate social responsibility* actions*.* So the greater the value of the *corporate social responsibility* index, the smaller the company in carrying out tax avoidance practices. In this case, companies that have a high *corporate social responsibility* value will have a low tax avoidance, so it does not have an impact on the utilization of *tax havens country*. Meanwhile, for companies that have a low *corporate social responsibility value,* the tax avoidance carried out is high, and this indicates that the company utilizes the function of the *tax havens country*. This is because the company will be more concerned with a good image in the community compared to taking tax avoidance actions that can damage the image that has been built. This result is in line with previous research (January and Suardikha, 2019) which states that the use of *tax havens country* does not strengthen *corporate social responsibility* on *tax avoidance.*

Effect of Tax Havens Country Utilization on Tax Avoidance

Based on the t-test results, the t-statistic value (4.499618) > t-Table (1.97897) and the Prob. value of 0.0000 < $\alpha = 0.05$, so (H_7) is accepted. Therefore, it can be concluded that tax avoidance has a positive effect on the utilization of *tax havens country*. A country that deliberately applies very low tax regulations in the form of imposing low rates or even no tax at all aims to provide easy facilities for investors from outside the country. Based on agency theory, managers as agents choose to open branches in countries that they think are large market shares. Managers think more about the sustainability of the company in the future compared to the tax savings caused by the transfer of profits to companies that classify in countries that have lower tax rates.

So the more companies that build overseas branches of companies registered in *tax havens* countries or countries that apply low tax rates will affect the amount of tax avoidance carried out by the company. (Widodo *et al*., 2020). The results of this study are in line with research (Widodo *et al*., 2020) which states that the use of *tax havens country* affects tax avoidance.

Conclusion

The results of the study provide that *thin capitalization has a* significant positive effect on tax avoidance. While *capital intensity has a* positive effect on tax avoidance. H^3 is rejected, which shows *corporate social responsibility* has no influence on tax avoidance. While the use of *tax havens country is* not able to moderate the influence of *thin capitalization* on tax avoidance. Then the use of *tax havens country is* not able to moderate the effect of *capital intensity* on tax avoidance and the use of tax *havens country is* not able to moderate the effect of *corporate social responsibility* on tax avoidance.

Companies that exceed or approach the interest limit allowed by the rules of *thin capitalization* tend to do tax avoidance. The company has two sources of capital, namely either debt or equity. This creates gaps and opportunities for companies to avoid taxes through the benefits of interest. As for *capital intensity,* where basically fixed assets will experience depreciation which will become depreciation costs in the company's financial statements. This depreciation cost can be deducted from income in the calculation of corporate tax.

The addition of the use of *tax havens country* as a moderating variable is unable to moderate the relationship between *thin capitalization*, *capital intensity* and *corporate social responsibility* on tax avoidance in manufacturing companies listed on the IDX for the 2017-2021 period. In this case, companies that have a high *corporate social responsibility* value have low tax avoidance, so they have no impact on the use of *tax havens country*. Meanwhile, for companies that have a low *corporate social responsibility* value, the tax avoidance carried out is high, and this indicates that the company utilizes the function of the *tax havens country*.

Research has an impact on companies and on future research. As this research is a recent research, the references taken for this research are limited. according to the results and limitations of the research presented, the recommendations for further research are as follows: (1) It is expected that future researchers will test other sectors, such as mining, to find out the extensive tax avoidance in that field. (2) To improve the research results, future researchers are required to add control variables.

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