THE TAX COMPLIANCE PARADOX

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ABSTRACT

This study examines the influence of thin capitalization, intellectual capital, capital intensity, and institutional ownership on tax avoidance in manufacturing firms listed on the Indonesia Stock Exchange (IDX) during 2020–2022. Samples were selected based on consistent inclusion in the IDX and availability of complete audited reports in Indonesian rupiah. Data were obtained from www.idx.co.id and company websites and analyzed using multiple linear regression in SPSS 25. Thin capitalization denotes a debt-heavy capital structure, intellectual capital reflects intangible resource utilization, capital intensity measures fixed asset investment, and institutional ownership indicates institutional shareholding proportion. Results show that thin capitalization, intellectual capital, and institutional ownership have no significant effect on tax avoidance, while capital intensity has a significant positive effect. This suggests that greater investment in fixed assets may facilitate legal tax minimization, whereas the other factors exert minimal direct influence.

Keywords: *Capital Intensity; Institutional Ownership; Intellectual Capita; Tax Avoidance;Thin Capitalization*

Received : 30-07-2025
Revised : 19-08-2025
Approved : 20-08-2025
Published : 23-08-2025

INTRODUCTION

National progress can be achieved through economic strengthening, equitable infrastructure development, and security assurance for all citizens. In pursuit of public welfare, goverment has sought to foster Indonesia's economic independence, including strengthening the country's fiscal capacity by evaluating the effectiveness of the taxation system and optimizing tax revenue potential. Taxes play a crucial role as the government's primary source of income, yet they also represent an operational burden for businesses, prompting tax planning strategies to minimize fiscal obligations (Luh & Puspita, 2017). For the public, paying taxes is a form of participation in nation-building (Fahriani, 2016), though the current collection system is often considered inefficient, requiring more transparent and effective management. For companies, corporate taxes represent a significant financial outflow from the private sector to the government (Sari, 2010), encouraging proactive tax management, including legal tax avoidance strategies that exploit loopholes in existing regulations (Chen et al., 2010). As major contributors to state revenue, corporations are legally obligated to fulfill tax payments; however, there is often a misalignment between the government's goal of maximizing tax revenue and companies' interest in minimizing tax liabilities to enhance profitability, safeguard shareholder welfare, and ensure long-term business sustainability (Junensie et al., 2020).

A prevalent method for engaging in tax avoidance entails employing strategies such as thin capitalization, utilization of intellectual capital, high capital intensity, and leveraging institutional ownership (Bandiyono & Murwaningsari, 2019). Many corporations adopt thin capitalization to lower their tax liabilities by prioritizing debt financing over equity, as interest payments on debt are deductible from taxable income, thus decreasing the tax payable (Fajarwati & Ramadhanti, 2021). In Indonesia, the practice is governed under Article 18(1) of the Income Tax Law, which grants the Minister of Finance authority to determine a fair debt-to-equity ratio for taxation purposes. In accordance with Minister of Finance Regulation No. 169/PMK.010/2015, the allowable ratio for calculating income tax is capped at 4:1 (Salwah & Herianti, 2019).

The Value Added Intellectual Coefficient (VAIC), introduced by Pulic in 1998, serves as a tool to measure how efficiently a company generates value from both tangible and intangible resources (Jayanti & Binastuti, 2018). This framework evaluates performance using components such as Value Added (VA) to represent the value generated; VAHU to capture human capital contributions; STVA to reflect structural capital's role; and VACA to indicate the efficiency of physical or financial capital utilization (Oktavia & Rochmatullah, 2023). Fadri (2016) demonstrated that intellectual capital assessed through VAIC™ influences firm performance and enhances the quality of accounting information. Additionally, companies often allocate resources to tangible fixed assets referred to as capital intensity which encompasses investments in property, plant, and equipment. Greater capital intensity typically results in higher depreciation charges, potentially reducing reported net income. Institutional ownership also holds strategic importance, as significant holdings by institutional investors facilitate closer oversight of management, mitigate earnings manipulation, and improve shareholder protection through their influence in corporate decision-making (Utami & Irawan, 2022).

In Indonesia, tax avoidance strategies are not confined to the general business environment but extend to the coal mining sector (Octavia., 2023). For example, PT Adaro Energy Tbk, the nation's largest coal mining enterprise, was reportedly involved in tax minimization via transfer pricing. By routing a substantial share of its profits from Indonesia to its Singapore-based subsidiary, Coaltrade Services International, between 2009 and 2017, the firm was alleged to have reduced domestic tax obligations paying

only $125 million on revenues of $338 million from coal sales (90% of total sales) causing potential annual tax revenue losses estimated at nearly $14 million.

Existing literature on the effects of thin capitalization, intellectual capital, capital intensity, and institutional ownership on tax avoidance reveals inconsistent outcomes. While Wati & Utomo (2020) and Olivia & Dwimulyani (2019) reported no significant link between thin capitalization and tax avoidance, Widodo et al. (2020) identified a positive association, suggesting that higher leverage through thin capitalization increases the probability of engaging in tax avoidance. Similarly, findings regarding value added remain inconclusive: Munte & Hutapea (2014) identified a positive influence on corporate performance, Hussain et al. (2016) observed a negative relationship, and Citro & Widyawati (2014) found that VAIC positively affects outcomes. Regarding capital intensity, Rahma et al. (2020) confirmed its significant effect on tax avoidance, consistent with Noor et al. (2013) who demonstrated that fixed asset intensity correlates negatively with the Effective Tax Rate (ETR). For institutional ownership, Afrika (2021) reported a relationship with tax avoidance, whereas Wijayanti & Merkusiwati (2017) concluded no significant effect.

Due to the existing research gap identified in previous studies, the researcher is motivated to continue this investigation in order to examine and provide empirical evidence on the influence of thin capitalization, intellectual capital, capital intensity, and institutional ownership on tax avoidance.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

Agency theory was developed to address the relationship dynamics between principals and agents, centering on contractual arrangements where decision-making power is delegated to agents to act in the best interest of the principals (Hidayah et al., 2017). The primary aim is to strengthen both parties' ability to assess environmental conditions before formulating strategic choices and to design evaluation mechanisms for decision outcomes, ensuring that results are allocated according to agreed contractual terms.

Legitimacy

Ghozali and Chariri (2007) describe legitimacy theory as a mutual relationship between organizations and the societies from which they derive and utilize economic resources. This framework underscores the obligation of firms to maintain alignment with prevailing social norms, ethical principles, and fairness standards to gain approval from stakeholders such as investors, creditors, customers, regulators, and local communities. Since corporate sustainability depends on societal acceptance, firms often use financial reporting not only to display economic results but also to signal their social and environmental accountability (Wijayanti & Merkusiwati, 2017). In this context, legitimacy theory highlights the strategic importance of cultivating a favorable corporate image to uphold a sustainable social contract.

Tax Avoidance

Tax avoidance refers to a lawful approach to tax planning, where taxpayers reduce their obligations by exploiting gaps or ambiguities within tax regulations (Pohan, 2013; Agustina, 2020; Shafer & Simmons, 2008). Although legal, such practices are ethically contentious for potentially diminishing state revenue (Bandiyono & Murwaningsari, 2019). While tax avoidance can enhance liquidity and cash reserves, it also carries risks such as penalties, reputational loss, and declining stock value—especially when linked to

information asymmetry or manipulation of financial statements (Falbo & Firmansyah, 2018). Major influencing factors include thin capitalization within the 4:1 debt–equity ratio (Utami & Irawan, 2022), capital intensity through asset depreciation (Lucky & Murtanto, 2022), intellectual capital such as proprietary technology and brand equity (Tambuan, 2018; Widiatmoko, 2015), and institutional ownership, which can strengthen oversight and improve efficiency (Afrika, 2021). Hence, although it may offer strategic financial advantages, tax avoidance entails significant compliance, ethical, and reputational challenges.

Hypothesis Development

Thin Capitalization affects Tax Avoidance

Research by Taylor & Richardson (2012) in Australia revealed that thin capitalization serves as a tool to minimize cross-border tax liabilities, with greater leverage correlating positively with tax avoidance. Consistent results were reported by Rahma et al. (2022), showing that inefficient capital utilization heightens avoidance activities, and by Prastiwi & Ratnasari (2019), who noted the frequent use of interest-bearing debt as a planning instrument. These studies suggest that higher debt proportions within the capital structure are associated with greater intensity of tax avoidance, leading to the first research hypothesis:

H1: Thin Capitalization has an effect on Tax Avoidance

Intellectual Capital influences Tax Avoidance

Intellectual capital (IC) comprises tangible and intangible resources—including advanced technology, information systems, skilled personnel, and brand reputation—that collectively generate value for an organization (Tambun, 2018). In Indonesia, the importance of IC became more recognized after the adoption of PSAK No. 19, which categorizes intangible assets as identifiable, non-monetary resources lacking physical form, used in production, leasing, or administration. While the standard does not explicitly refer to IC, Jayanti and Binastuti (2018) note that its underlying principles implicitly accommodate the IC concept.

H2: Intellectual Capital has an effect on Tax Avoidance

Capital Intensity Influences Tax Avoidance

Capital intensity denotes the degree of fixed asset investment needed for revenue generation (Prastiwi & Ratnasari, 2019). Financing may come from changes in asset values via depreciation or acquisitions. Depreciation raises operating expenses, which reduces net income and consequently lowers taxable income since it decreases the tax base (Agustina., 2020). Empirical findings such as those from Fajarwati and Ramadhanti (2021) and Rahma et al. (2020) indicate that firms with higher capital intensity are more inclined toward tax avoidance. This evidence supports a direct relationship between the magnitude of capital intensity and the extent of avoidance behavior.

H3: Capital Intensity has an effect on Tax Avoidance

Institutional Ownership Influences Tax Avoidance

The role of institutional ownership in tax avoidance is twofold. Bird and Karolyi (2017) observed that while greater institutional holdings correspond to reduced effective tax rates, they are also linked to more frequent avoidance practices. Boediono (2005) emphasized that concentrated ownership allows closer monitoring to deter excessive avoidance. Likewise, Kovermann and Velte (2019) found that institutional investors may

promote avoidance to improve returns but also moderate it to mitigate legal and reputational risks. Accordingly, institutional ownership can act as a control mechanism in shaping corporate tax policies.

H4: Institutional Ownership has an effect on Tax Avoidance

METHOD

This research employs a quantitative approach, utilizing numerical information drawn from annual and financial statements to investigate how thin capitalization, intellectual capital, capital intensity, and institutional ownership affect tax avoidance in manufacturing firms listed on the Indonesia Stock Exchange (IDX) for the 2020–2022 period. The sampling process, based on Sugiyono's (2014) guidelines, selected companies that remained continuously listed during the observation years, issued complete financial reports in Indonesian rupiah, recorded positive earnings, and disclosed complete data for all examined variables.

The secondary data, sourced from audited statements on www.idx.co.id and official company websites, were chosen to ensure validity, reliability, and representativeness. In this study, thin capitalization denotes a debt-heavy capital structure; intellectual capital reflects the firm's capacity to leverage physical, human, and structural resources; capital intensity describes the share of investments allocated to fixed assets; and institutional ownership represents the proportion of shares held by institutions, suggesting enhanced oversight. The dependent variable, tax avoidance, captures the degree to which a company lawfully reduces its tax liabilities.

Data processing was carried out using SPSS 25 through multiple linear regression, complemented by descriptive statistical analysis, classical assumption evaluations (normality, multicollinearity, autocorrelation, and heteroskedasticity), and model adequacy assessments (F-test, t-test, and R^2)(Gujarati, 2004). Statistical significance was determined at a p-value threshold of 0.05 (Gujarati & Porter, 2009), while the coefficient of determination was applied to measure how effectively the model accounts for variations in tax avoidance.

RESULTS AND DISCUSSION

Data Collection Results

The study examined 76 manufacturing companies listed on the IDX in 2020–2022, selected through purposive sampling:

Table 1.
Sampling Criteria

No	Description	Total
1	Number of Manufacturing Companies	216
2	Manufacturing Companies not listed on the IDX consecutively from 2020-2022	-36
3	Companies that did not report annual reports for the 2020-2022 period	-5
4	Manufacturing Companies that do not use Rupiah (Rp) as their currency	-30
5	Manufacturing Companies that did not make a profit for the 2020-2022 period	-64
6	Manufacturing Companies that do not have complete data related to variables	-5
	Total Companies	76
	Total Sample = (n x study period) = 76 x 3	228
	Outliers	-18
	Final Sample	210

Source: Processed Secondary Data, 2025

Descriptive Statistical Analysis

Descriptive statistics were employed to provide an overview of the research sample by summarizing the number of observations, as well as the minimum, maximum, mean, and standard deviation values (Ghozali, 2018). The analysis encompassed the variables of thin capitalization, intellectual capital, capital intensity, and institutional ownership. This procedure allows for a preliminary understanding of the data distribution and variability of each variable. The detailed descriptive statistics are reported in Table 2.

Table 2
Descriptive Test Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Thin Capitalization	210	0,002	7,941	0,74993	0,773231
Intellectual Capital	210	-21,860	294,168	44,07290	37,616429
Capital Intensity	210	0,013	0,951	0,41006	0,193820
Institutional Ownership	210	0,140	1,000	0,68931	0,192369
Tax Avoidance	210	0,002	4,739	0,34626	0,554467
Valid N	210				

Source: Processed Secondary Data, 2025

From the descriptive statistics, the dataset comprises 210 observations drawn from manufacturing firms over the 2020–2022 period. For the thin capitalization variable, values range between 0.002 and 7.941, with an average of 0.74993 and a standard deviation of 0.773231. Since the deviation surpasses the mean, the data display substantial variability. Intellectual capital exhibits extreme figures from −21.860 to 294.168, producing an average of 44.07290 and a deviation of 37.616429; the relatively smaller dispersion compared to the mean suggests fair homogeneity. Capital intensity lies within 0.013–0.951, recording a mean of 0.41006 and a deviation of 0.193820, which implies a concentrated spread and minimal variation. Institutional ownership is observed between 0.140 and 1.000, averaging 0.68931 with a deviation of 0.192369, indicating that most data points cluster near the mean. Tax avoidance values extend from 0.002 to 4.739, with an average of 0.34626 and a deviation of 0.554467, signifying a notable degree of variation in the sample.

Classical Assumption Test

This study conducted classical assumption testing to ensure the regression model was free from potential violations, covering normality, multicollinearity, autocorrelation, and heteroskedasticity. Normality was assessed using the Central Limit Theorem (CLT), which asserts that large samples ($n > 30$) produce sampling distributions that approximate normality regardless of the population's distribution (Ghozali, 2011; Gujarati, 2003). With 210 observations, the sample met this requirement, validating the normality assumption. Multicollinearity was examined through tolerance and Variance Inflation Factor (VIF) indicators, where all tolerance values exceeded 0.10 and all VIF values were under 10 for the variables of thin capitalization, intellectual capital, capital intensity, and institutional ownership, indicating no multicollinearity (Gujarati & Porter, 2009). These findings suggest that the explanatory variables are statistically independent and do not exhibit excessive linear relationships, thus preventing distortion in coefficient estimation.

Autocorrelation was tested using the Durbin–Watson (DW) statistic, producing a value of 2.141, which falls between DU (1.8094) and 4–DU (2.1906), signifying the

absence of autocorrelation and confirming residual independence. Heteroskedasticity was evaluated with the White test, chosen for its robustness without requiring normal error distribution (Gujarati & Porter, 2009). The Chi-square statistic of 13.23 was far below the critical value of 244.808, confirming no heteroskedasticity. Consequently, the residuals display constant variance across observations, satisfying another key assumption in regression analysis. Overall, these results confirm that the model is statistically sound, providing a solid foundation for valid, unbiased, and efficient parameter estimation in subsequent parametric analyses.

Multiple Linear Regression Test

To evaluate how the dependent variable interacts with several independent variables, multiple regression analysis is a commonly applied statistical technique in this study. This research employs four independent variables, namely institutional ownership, intellectual property, thin capitalization, and intellectual capital. The following are the results of the multiple linear regression analysis (Gujarati & Porter, 2009).

Table 3
Multiple Linear Regression Test

Variable	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0,499	0,171		2,912	0,004
Thin Capitalization	0,046	0,049	0,065	0,945	0,346
Intellectual Capital	-0,002	0,001	-0,112	-1,602	0,111
Capital Intensity	-0,700	0,199	-0,244	-3,511	0,001
Institutional Ownership	0,253	0,199	0,087	1,268	0,206

Source: Processed Secondary Data, 2025

Based on the results of the multiple linear regression test above, the following equation model can be created:

$$PP = \alpha + \beta_1 TCP + \beta_2 IC + \beta_3 CI + \beta_4 KI + \varepsilon$$

$$PP = 0{,}499 + 0{,}046\ TCP - 0{,}002\ IC - 0{,}700\ CI + 0{,}253\ KI + \varepsilon$$

From the regression results, the constant term ($\alpha = 0.499$) represents the initial level of tax avoidance that would occur if thin capitalization, intellectual capital, capital intensity, and institutional ownership all had a value of zero. The coefficient for thin capitalization ($\beta = 0.046$) suggests a positive association, indicating that a one-unit rise in this variable corresponds to an increase of 0.046 units in tax avoidance, assuming the other factors remain unchanged. In contrast, intellectual capital ($\beta = -0.002$) displays a slight negative relationship, implying that each additional unit reduces tax avoidance by 0.002 units. Capital intensity ($\beta = -0.700$) reveals a notably strong negative effect, where an increment of one unit leads to a substantial 0.700-unit decline in tax avoidance. Lastly, institutional ownership ($\beta = 0.253$) demonstrates a positive influence, meaning that, with other variables held constant, each extra unit is associated with a 0.253-unit rise in tax avoidance.

Model Adequacy Test (F-test)

With a significance level of $\alpha = 5\%$, the number of independent variables (k) is 4, and the sample size is n, the F-test is employed to examine the overall model's feasibility and to determine whether the independent variables jointly influence the dependent variable (Y). The results of the F-test are presented as follows (Gujarati, 2004; Wooldridge, 2019).

Table 4
F-Test Results

Variable	Fcount	Ftable	Sig.	Description
TCP, IC, CI, KI	3,800	2,42	0.005	Influential

Source: Processed Secondary Data, 2025

The F-test outcome shows that the computed F-value of 3.800 is greater than the critical value of 2.42, while the p-value of 0.005 is lower than the 5% significance level (0.05). This result suggests that, taken together, thin capitalization, intellectual capital, capital intensity, and institutional ownership exert a statistically significant influence on tax avoidance, thereby validating the regression model.

Determination Test (R Square)

The coefficient of determination (R^2) is essentially employed to measure the explanatory power of the model in accounting for the variation of the dependent variable in the study (Gujarati & Porter, 2009). The following are the results of the coefficient of determination (R^2) test:

Table 5
Results of the Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,263a	0,069	0,051	0,541262

Source: Processed Secondary Data, 2025

The results of the analysis reveal an adjusted R^2 of 0.051, which implies that thin capitalization, intellectual capital, capital intensity, and institutional ownership collectively explain only 5.1% of the variation in accounting conservatism. The remaining 94.9% is attributed to other factors beyond the scope of this regression model.

Statistical Test (t-test)

The t-test analysis is fundamentally applied to examine how much influence each independent variable exerts on the dependent variable. This statistical test helps determine whether the effect of a particular independent variable is statistically significant or not, by comparing the *t-statistic* with the critical value or its probability value (*p-value*). In econometric studies, this method is commonly used to evaluate the partial effect of explanatory variables within a regression model (Gujarati & Porter, 2009; Wooldridge, 2016).

Table 6
Statistical Test Results (t-test)

Variable	tcount	t table	Sig.	Description
Thin Capitalization	0,945	1,971	0,346	H1 Rejected
Intellectual Capital	-1,602	1,971	0,111	H2 Rejected
Capital Intensity	-3,511	1,971	0,001	H3 Accepted
Institutional Ownership	1,268	1,971	0,206	H4 Rejected

Source: Processed Secondary Data, 2025

From the t-test evaluation, thin capitalization presents a t-statistic below the critical value (0.945 < 1.971) and a significance level exceeding 5% (0.346 > 0.05). This

outcome supports the rejection of H1, confirming that thin capitalization does not have a statistically significant relationship with tax avoidance. Similarly, intellectual capital yields a t-value lower than the t-table (-1.602 < 1.971) with a significance level of 0.111, leading to the rejection of H2 and indicating the absence of a meaningful impact on tax avoidance. Conversely, capital intensity demonstrates an absolute t-value exceeding the critical threshold (-3.511 > 1.971) and a significance level below 5% (0.001 < 0.05), resulting in the acceptance of H3 and suggesting a significant effect on tax avoidance. As for institutional ownership, its t-statistic (1.268) is lower than the critical value (1.971), with a significance level of 0.206, thus H4 is rejected, implying no significant influence on tax avoidance.

Thin Capitalization and Tax Avoidance

The t-test produced a calculated value of 0.945, which is lower than the critical value of 1.971, accompanied by a significance level of 0.346 that exceeds 0.05. These results indicate that thin capitalization does not have a statistically significant partial effect on tax avoidance. This outcome diverges from the findings of Rahma et al. (2022), who reported that a lower proportion of equity in the capital structure significantly and positively affects tax avoidance practices.

In corporate tax planning, thin capitalization is often utilized to exploit differences in tax treatment between debt and equity financing. While interest payments to creditors are deductible from taxable income, dividend distributions to shareholders are not afforded the same benefit. Consequently, firms may increase their debt proportion, thereby elevating the debt-to-equity ratio (DER). A higher debt level results in greater interest expenses, ultimately reducing taxable profits and lowering the tax liability. Although this approach is legally permissible, it can attract heightened scrutiny from tax authorities for potential misuse. In response, several jurisdictions have implemented restrictions on the DER and tightened rules for the recognition of interest expenses to curb aggressive tax avoidance strategies.

The current findings, however, reveal no significant relationship between thin capitalization and tax avoidance, suggesting that the reliance on debt-heavy capital structures does not necessarily translate into greater tax avoidance in manufacturing firms. This could be attributed to more stringent tax enforcement, regulatory limits on allowable DER, and stronger oversight of debt-related transactions. Moreover, manufacturing companies may prioritize operational productivity and efficiency over tax minimization via capital structure adjustments.

Intellectual Capital and Tax Avoidance

The t-test outcome shows a calculated value of -1.602, which is below the threshold of 1.971, and a significance level of 0.111, exceeding 0.05. This means that intellectual capital exerts no significant partial influence on tax avoidance. Such findings stand in contrast to Jayanti & Binastuti (2018), who identified a significant relationship between intellectual capital and tax avoidance.

In principle, intellectual capital which encompasses human capital, structural capital, and relational capital can contribute to tax-related strategies. Intangible resources such as specialized knowledge, innovations, patents, brand assets, and networks may facilitate profit shifting to jurisdictions with lower tax burdens. Nevertheless, the degree of this influence is highly dependent on the prevailing tax environment, the rigor of tax authority oversight, and the strategic orientation of company management. The results of this study imply that, although intellectual capital

is a vital driver of competitive advantage and firm value, its mere existence does not necessarily lead to the adoption of aggressive tax avoidance practices in manufacturing enterprises.

Capital Intensity and Tax Avoidance

The analysis reveals a calculated t-value of -3.511, lower than the critical value of 1.971, alongside a significance level of 0.001, which is below the 0.05 threshold. These results confirm that capital intensity has a significant partial effect on tax avoidance. This aligns with the conclusions of Fajarwati & Ramadhanti (2021), who demonstrated a positive and significant association between the two variables.

In manufacturing contexts, capital intensity measured by the ratio of fixed assets to total assets plays a notable role in shaping tax obligations. A greater investment in tangible assets such as machinery, facilities, and production equipment generates higher depreciation expenses, which can be deducted from taxable income, thus reducing overall tax payable. For asset-intensive firms, this mechanism serves as an effective tool to manage tax liabilities. The findings suggest that manufacturing companies with higher capital intensity are more likely to engage in tax-reducing activities facilitated by depreciation allowances.

Institutional Ownership and Tax Avoidance

The t-test generated a calculated value of 1.268, which is lower than the critical figure of 1.971, with a significance level of 0.206 that surpasses 0.05. This indicates that institutional ownership does not significantly influence tax avoidance on a partial basis. These results differ from the findings of Kovermann & Velte (2019), who observed a significant link between institutional ownership and tax avoidance behavior.

Institutional investors such as mutual funds, banks, and other financial entities are often assumed to possess robust monitoring capabilities capable of influencing managerial decisions toward greater efficiency and transparency. However, the results suggest that their involvement does not necessarily extend to influencing tax policies in manufacturing firms. One possible explanation is that such investors may prioritize short-term returns and financial performance over technical matters like tax planning. Furthermore, institutional owners vary in their objectives and monitoring intensity, which may lead to inconsistent effects on the degree of tax avoidance practiced by the firms in which they hold stakes.

CONCLUSION AND SUGGESTIONS

From the findings of this quantitative research, it is inferred that Thin Capitalization and Intellectual Capital exert no statistically significant influence on Tax Avoidance, thus H1 and H2 are not supported. Conversely, Capital Intensity demonstrates a significant relationship, resulting in the acceptance of H3, whereas Institutional Ownership also shows no significant impact, leading to the rejection of H4.

The scope of this study is constrained by the unavailability and incompleteness of certain corporate data, limiting the analysis to secondary information obtained from the Indonesia Stock Exchange (IDX). Furthermore, the relatively brief observation window of 2020–2022, caused by time limitations, and the reliance on multiple linear regression may overlook qualitative aspects that could affect firm value.

To enhance future research, it is recommended to obtain more comprehensive data access or confirm data availability before selecting companies, extend the study period to produce findings that are more representative and less prone to short-term

distortions, and incorporate qualitative approaches, such as interviews, to capture additional relevant factors.

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