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The Influence Of Financial Performance, Audit Quality, Earnings Management On Tax Avoidance With Capital Intensity As A Moderating Variable

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ABSTRACT

This study aims to analyze and provide empirical evidence on the influence of profitability on tax avoidance; the influence of leverage on tax avoidance; the influence of audit quality and earnings management on tax avoidance; the moderation effect of capital intensity on the relationship between profitability and tax avoidance; the moderation effect of capital intensity on the relationship between leverage and tax avoidance; and the moderation effect of capital intensity on the relationship between audit quality and earnings management with tax avoidance. The research methodology employed is quantitative. Secondary data sources consist of financial reports from companies in the infrastructure sector listed on the Indonesia Stock Exchange during the period 2020-2022. The population comprises companies in the infrastructure sector, with a sample size of 111 selected using purposive sampling based on specified criteria. The research employs panel data regression analysis, with data processed using Eviews version 12. Partially, the study finds that ROA, leverage, and audit quality significantly influence tax avoidance, while earnings management does not significantly affect tax avoidance. Capital intensity strengthens the influence of ROA and earnings management on tax avoidance, while weakening the influence of leverage and audit quality on tax avoidance.

INTRODUCTION

Taxes are the main source of income for the state to finance domestic development and are crucial for ensuring the financial independence of the government. Taxation is mandatory, requiring every taxpayer to contribute to the government. According to Law No. 28 of 2007, taxes are compulsory contributions to the state that individuals or entities must pay without direct compensation, aimed at meeting the needs of the state and the welfare of the society. These tax payments constitute a vital source of funding for the government to finance

development programs and provide public services to the community. Tax revenues collected are allocated to various development initiatives such as infrastructure, education, healthcare, and others, with the goal of improving the overall welfare.

In Indonesia, efforts to maximize tax revenues in the tax sector are not without challenges. Despite government initiatives to improve the tax system, there are conflicting interests between the government and businesses. Taxes, in the eyes of the state, are a source of revenue to finance all expenditures, including national development, while for businesses as taxpayers, taxes are a burden that reduces net profits. These differing interests lead taxpayers to seek ways to reduce tax payments, both legally and illegally. Legal efforts to minimize tax payments are known as tax avoidance, whereas illegal efforts are referred to as tax evasion. Strategies to efficiently manage tax burdens legally and safely for taxpayers, without violating tax regulations, include tax avoidance. This involves utilizing weaknesses (grey areas) in tax laws and regulations. According to the Central Statistics Agency, state revenues from the period between 2018 and 2022 are as follows:

Tabel 1 Revenue Realization From Taxes In Indonesia 2018-2022

In Billion Rupiah					
Description	**2018**	**2019**	**2020**	**2021**	**2022**
Tax Revenue	1.518.790	1.546.142	1.285.136	1.547.841	1.924.937

Based on data from the Badan Pusat Statistik, tax revenue in Indonesia saw an increase from 2018 to 2019. However, there was a decline in 2020, largely due to the COVID-19 pandemic. The pandemic impacted various economic sectors in Indonesia, including corporations, small and medium enterprises, and the informal sector. This led to reduced income for businesses and individuals, subsequently affecting tax receipts received by the government. In 2021, there was a 20% increase in tax revenue compared to 2020. This was driven by economic recovery following the contraction in 2020 caused by the COVID-19 pandemic. The economic recovery potentially boosted corporate and individual incomes, thereby increasing national tax revenue.

Tax avoidance is a scheme involving practices aimed at reducing tax liabilities by exploiting gaps in tax regulations within a country (Wijaya & Rahayu, 2021). Tax avoidance can be influenced by several factors, including financial performance such as profitability and leverage, earnings management, and audit quality. One key element influencing tax avoidance is financial performance. A company's financial performance reflects its financial condition, analyzed using financial instruments, allowing evaluation of a company's financial status, whether good or bad, by examining its financial statements.In analyzing a company's financial statements, it reflects the activities undertaken by the company. Therefore, a company's financial statements result from an accounting process that serves not only as a communication tool but also as a means to measure its performance (Fitria in Maidina, L. P., & Wati, L. N., 2020). Evaluating a company's financial performance requires financial analysis using indicators such as ratios, which connect various financial data. Analyzing and interpreting different ratios can provide deeper insights into the financial condition and achievements of the company. In this study, financial performance will be evaluated through the application of ratio analysis methods, focusing on aspects such as profitability and leverage.Leverage is an indicator measuring the extent to which a company is supported by debt. According to Sahrir, S., Syamsuddin, S., & Sultan, S. (2021), leverage describes the amount of debt used to finance company activities. When a company leans more towards debt rather than equity to support its operations, the company's effective tax rate may be lower. High leverage indicates greater dependence on debt, which also entails additional costs in the form of interest payments. The higher the company's reliance on loans,

the greater the burden of interest payments it must bear. However, despite these considerations, a high level of debt can reduce the amount of tax burden imposed on the company, as noted by Sidauruk, T. D., & Fadilah, S. N. (2020), who found in their research that leverage and audit quality do not affect tax avoidance. Conversely, Muh, A. A. (2023) concluded in their study that leverage does affect tax avoidance. This is because companies with high leverage experience lower interest expenses, reducing the tax-intensive practices of tax avoidance.

Another factor besides non-financial factors that influences tax avoidance is audit quality. Audit quality refers to the auditor's ability to audit a client's financial statements, identify errors or violations that may occur, and report them in the audit report. According to Sidauruk, T. D., & Fadilah, S. N. (2020), financial statements audited by The Big Four accounting firms reflect more accurate company values. Therefore, it is estimated that companies audited by The Big Four have lower levels of tax fraud compared to those audited by non-Big Four firms. The Big Four firms include Price Water House Cooper (PwC), Deloitte Touche Tohmatsu, KPMG, and Ernst & Young (EY). This is related to the reputation and trust gained by The Big Four firms. Hence, high-quality audits can increase transparency and accountability in companies and tend to reduce the likelihood of profit manipulation for tax purposes. Research by Mayasari & Al-Musfiroh (2020) regarding audit quality resulted in a significant impact on tax avoidance. Conversely, Kusnadi, D. S. (2022) found in their study that audit quality negatively affects tax avoidance; the better the audit quality, the lower the likelihood of companies engaging in tax avoidance strategies.

According to Rinaldi, Respati, & Fatimah (2020), capital intensity is a strategy employed by companies aimed at investing in fixed assets. These fixed assets incur depreciation costs, which can be utilized to reduce income tax. Capital intensity measures a company's performance by illustrating the proportion of fixed assets compared to total assets. An increase in fixed assets leads to higher depreciation expenses. From a business perspective, fixed assets are utilized to enhance productivity and achieve maximum profitability. However, companies also use depreciation expenses as a strategy to reduce reported earnings and subsequently lower tax burdens. The researchers selected infrastucture companies as their study subject due to their significant contribution to tax revenues on the Indonesia Stock Exchange (BEI). The infrastructure sector is one of the largest contributors to tax revenues, highlighting its importance in national income generation.

LITERATURE REVIEW

Agensi Theory

According to Jensen and Meckling in 1976, agency theory explains the relationship between management, acting as agents, and shareholders, who are principals. Tax avoidance activities can occur due to agency conflicts caused by information asymmetry between these two parties. For example, managers may tend to act in ways that diverge from the interests of principals. According to this theory, there is an incentive for managers to choose certain accounting policies. Managers are inclined to reduce earnings due to the debt hypothesis, which posits that the higher the debt-to-equity ratio of an entity, the greater the likelihood that managers will choose accounting policies that shift earnings from the future to the present (Watts & Zimmerman, 1978). Therefore, earnings management becomes a measure of this factor. Additionally, the bonus plan hypothesis motivates managers in selecting accounting policies because of promised bonuses (Miftah & Murwaningsari, 2018).

Tax Avoidance

Tax avoidance is a legal strategy employed by companies to reduce their tax liabilities. This technique involves exploiting loopholes in tax laws and regulations to minimize the tax burden. Taxes are obligatory and cannot be completely avoided by taxpayers. Therefore, managers often

utilize tax avoidance strategies to maximize profits, meet managerial interests, and satisfy investors (Anggraeni & Oktaviani, 2021).

Profitability

Profitability indicates the extent to which a company can generate profit as an indicator of its performance. Higher levels of income earned by a company can result in larger tax payments (Hapsari Ardianti, 2019). ROA (Return on Assets) is a metric used to measure profitability, demonstrating how efficiently a company earns profit from its total assets.

Leverage

Companies use leverage as a tool to assess the extent to which their assets are financed by debt. Leverage is measured using the debt-to-equity ratio (DER) calculation. According to agency theory, principals grant authority to agents to make decisions that benefit the company, which motivates management to engage in tax avoidance actions. Leverage represents a company's ability to repay all its debts, both short-term and long-term. (Indarti et al., 2019). Leverage can also be defined as a measure of how much of a company's assets are funded by debt.

Audit Quality

According to DeAngelo (1981), audit quality refers to an auditor's ability to identify violations within a client's accounting system and communicate the findings through audit financial statements. Auditors are expected to adhere to audit standards and relevant ethical codes in performing their duties. According to Wahyuni, T., & Wahyudi, D. (2021), auditors provide superior audit quality through competence and high-quality audit skills.

Earnings Management

Earnings management is the practice where a company manipulates information in its financial statements to show higher or lower profits than the actual earnings for that period. According to Sari, R. H. D. P., & Ajengtiyas, A. (2021), earnings management is defined as efforts to manage earnings, especially related to short-term income, undertaken by management through specific policies to accelerate expense or revenue transactions, or by employing other strategies.

Capital Intensity

According to Prasetyo & Wulandari (2021), investment in fixed assets reflects the extent to which a company has wealth invested. According to Azis A. (2019), the level of capital intensity is part of a company's investment policy in fixed assets, indicating that companies with significant investments in assets will incur lower tax burdens due to depreciation expenses each year.

METHODS

The type of research used in this study is quantitative research. Quantitative research method is one type of research whose specifications are systematic, planned and clearly structured from the beginning to the creation of its research design. This study aims to examine the effect of independent variables, namely financial performance, audit quality, earnings management on the dependent variable, namely tax avoidance using the moderating variable of capital intensity. The data used in this study are in the form of financial reports of infrastructure companies listed on the IDX obtained from the official website of the Indonesia Stock Exchange, namely www.idx.co.id using research data in 2020-2022. The sample was determined using purposive sampling method. This study was tested using panel data moderation regression analysis where the stages start from the panel data effect test, followed by the data feasibility

test (classical assumption test) consisting of normality test, multicollinearity test, autocorrelation test and heteroscedasticity test, which is then interpreted by hypothesis testing consisting of the coefficient of determination (R2) test, simultaneous significance test (F statistical test) and significance test of each parameter (t statistical test).

RESULTS

Descriptive Statistics

Descriptive statistics is a method used to analyze data by describing or illustrating the collected data. Descriptive statistics are used to summarize, depict, and organize data in a way that makes it easier to read and use. Descriptive statistics do not aim to make general conclusions or generalizations applicable to the broader population.

Tabel 2 Statistik Deskriptif

	TA	ROA	LEV	KA	ML	IM
Mean	0.185108	0.029355	1.706364	0.288288	0.008653	0.327299
Maximum	1.541519	0.155838	9.210657	1.000000	0.364208	0.894523
Minimum	-0.940108	-0.236456	0.009249	0.000000	-0.198445	0.000738
Std. Dev.	0.257714	0.045956	1.568830	0.455020	0.069690	0.302518
Observations	111	111	111	111	111	111

Based on the descriptive table above, it can be observed that all the variables studied have an observation value of 111 data points. The tax avoidance variable has an average value of 0.185108, a maximum value of 1.541519, a minimum value of -0.940108, and a standard deviation of 0.257714. The lowest TA (Total Accruals) is for Cardig Aero Services Tbk in 2020 with a TA value of -0.940108, and the highest TA is for XL Axiata Tbk in 2020 with a TA value of 1.541519. Given the average TA of 0.185108, it can be said that on average, the companies studied have an Effective Tax Rate (ETR) of 18.51%. This value is still below the standard ETR of approximately 25%, indicating that the sample population in the study might have a tax avoidance rate of 6.49% (25% - 18.51%). This suggests that there is a 6.49% gap in the tax rate that might be attributed to tax avoidance practices. Alternatively, the low ETR might be due to the economic conditions not being fully recovered, thus impacting the companies' profitability.

Panel Data Regression Model Selection Test

Based on the results of the three panel data regression estimation models, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), the most appropriate model will be selected to estimate the desired regression equation model using the Chow Test, Hausman Test, and Lagrange Multiplier (LM) test as follows:

A. Chow Test

The Chow test is used to choose the best approach between the Common Effect Model (CEM) and the Fixed Effect Model (FEM) for estimating panel data. According to Gujarati and Porter (2012: 361), the decision rule is as follows:

1. If the probability value for the cross-section F statistic > the significance level of 0.05, then H0 is accepted, indicating that the appropriate model to use is the Common Effect Model (CEM).
2. If the probability value for the cross-section F statistic < the significance level of 0.05, then H0 is rejected, indicating that the appropriate model to use is the Fixed Effect Model (FEM).The hypotheses used are:

H0 = Common Effect Model (CEM)
Ha = Fixed Effect Model (FEM)

Tabel 3 Hasil Uji Chow

Effects Test		d.f.	Prob.
Cross-section F	1.210167		0.2476
Cross-section Chi-square	56.262838	36	0.0169

The Chow test results show that the probability value of the Cross Section F is 0.2476 > 0.05, which means it is accepted. Therefore, the most appropriate model to use in estimating the regression equation is the Common Effect Model (CEM).

B. Hausman Test

The Hausman test is a test used to choose the best approach between the Random Effects Model (REM) and the Fixed Effects Model (FEM) for estimating panel data. According to Gujarati and Porter (2012: 451), the decision rule is as follows:

1. If the probability value for the random effects component > the significance level of 0.05, then H0 is accepted, indicating that the most appropriate model to use is the Random Effects Model (REM).
2. If the probability value for the random effects component < the significance level of 0.05, then H0 is rejected, indicating that the most appropriate model to use is the Fixed Effects Model (FEM).

The hypotheses used are:

H0 = Random Effects Model (REM)
Ha = Fixed Effects Model (FEM)

Tabel 4 Hasil Uji Hausman

Correlated Random Effects - Hausman Test
Equation: EQ_PANEL
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.535532	8	0.5875

The results of the Hausman test show that the probability value of the Cross Section Random is 0.5875 > 0.05, which means H0 is accepted. Thus, the most appropriate model to use in estimating the regression equation is the Random Effects Model (REM).

C. LM Test

The Lagrange Multiplier (LM) test is used to choose the best approach between the Common Effect Model (CEM) and the Random Effect Model (REM) for estimating panel data. The Random Effect Model, developed by Breusch-Pagan, is used to test significance based on the residual values from the Ordinary Least Squares (OLS) method. According to Gujarati and Porter (2012: 481), the decision rule is as follows:

1. If the cross-section Breusch-Pagan value > the significance level of 0.05, then H0 is accepted, indicating that the most appropriate model to use is the Common Effect Model (CEM).
2. If the cross-section Breusch-Pagan value < the significance level of 0.05, then H0 is rejected, indicating that the most appropriate model to use is the Random Effect Model (REM).

The hypotheses used are:

H0 = Common Effect Model (CEM)
Ha = Random Effect Model (REM)

Tabel 5 LM Test Result

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.038089	1.106112	1.144201
	(0.8453)	(0.2929)	(0.2848)

The results of the Lagrange Multiplier test show that the probability value of the cross-section Breusch-Pagan is 0.8453 > 0.05, which means H0 is accepted. Therefore, the most appropriate model to use in estimating the regression equation is the Common Effect Model (CEM).The results of the three model tests show:

1. For the test between the Common Effect Model (CEM) and the Fixed Effect Model (FEM), the Common Effect Model (CEM) is more appropriate to use for estimating the regression equation.
2. For the test between the Fixed Effect Model (FEM) and the Random Effect Model (REM), the Random Effect Model (REM) is more appropriate to use for estimating the regression equation.
3. For the test between the Common Effect Model (CEM) and the Random Effect Model (REM), the Common Effect Model (CEM) is more appropriate to use for the regression equation.

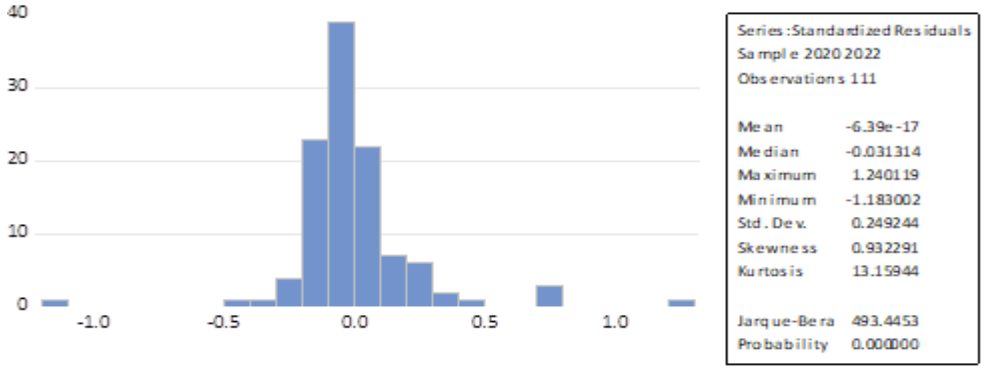
From the three test results, it is shown that there are 2 tests that result in the Common Effect Model (CEM), which are the Chow Test and the LM Test. Based on this, it can be concluded that the best model approach to determine the influence of the variables tested is the Common Effect Model (CEM).

Normality Test

The normality test aims to examine whether the regression model's dependent and independent variables are normally distributed or not. A good model is one that has a normal data distribution. To test data normality using EViews, there are two methods: using a histogram and the Jarque-Bera test. The Jarque-Bera test is a statistical test used to determine whether the data are normally distributed or not. According to Gujarati (2013), detection involves looking at the Jarque-Bera statistic, which is asymptotic (large sample size and based on Ordinary Least Square residuals). This test involves examining the Jarque-Bera (JB) probability as follows:

a. If the probability > 0.05, then the data are normally distributed.
b. If the probability < 0.05, then the data are not normally distributed.

Gambar 2 Normality Test Result

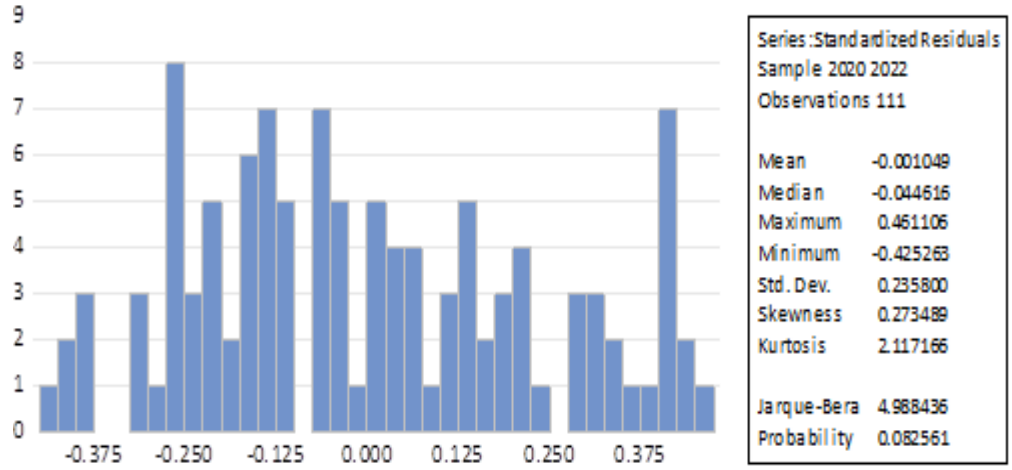


In the image above, it can be seen that the Jarque-Bera value is 493.4453 with a probability value of 0.00000. Thus, it can be concluded that the model in this study is not normally distributed because the probability value of 0.00000 is less than 0.05.To correct the non-normal regression error above, the Generalized Least Squares (GLS) weighting method and the Coef Covariance weight method, commonly known as Robust Variance Estimation, are used. In panel data GLS, various forms of GLS weighting matrices, including an unrestricted GLS weighting matrix, are applied.

This means that GLS sometimes cannot automatically compute robust variance estimators for conditional heteroskedasticity and may encounter GLS weighting matrix specification errors. Therefore, it is necessary to provide relevant formulas and show how researchers can strengthen the variance estimator by creating more advanced manual formulas.

Robust regression is an essential tool for analyzing data contaminated by outliers. Outliers are values in a data set that are numerically distant from most other data points. Robust regression is used to detect outliers and provide results that are resistant to their presence. GLS weighting is performed using the Cross-Section Weight method and Coef Covariance weight with the White Cross-Section method. Applying the GLS Weight method has been proven to rectify the non-normal error issue. The results of the normality test after the GLS Weight method can be seen in the following image.

Gambar 3 Result Normality Test GLS Weight Method



It can be seen that the Jarque-Bera value has decreased to 4.988436 from the previous value of 493.4453, with a probability value of 0.082561 compared to the previous 0.000000. Thus, it can be concluded that the model in this study is now normally distributed.

Heteroskedasticity Test

The heteroskedasticity test aims to examine whether there is inequality in the variance of the residuals from one observation to another in the regression model. If the variance of the residuals from one observation to another remains constant, it is called homoskedasticity, and if the variance is not constant or varies, it is called heteroskedasticity. A good regression model is homoskedastic, meaning no heteroskedasticity is present.This test is conducted using the Glejser test, which involves regressing each independent variable with the absolute residual as the dependent variable.

Residuals are the differences between observed values and predicted values, while absolute refers to the absolute value. The Glejser test is used to regress the absolute value of the residuals against the independent variables. If the significance level of the Glejser test > 0.05, then heteroskedasticity is not present.

Tabel 6 Hasil Uji Heteroskedasticity GLS Weight Method

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.156946	0.033788	4.645041	0.0000
ROA	-1.358380	0.650741	-2.087434	0.0393
LEV	0.010069	0.014776	0.681444	0.4971
KA	0.101432	0.077210	1.313715	0.1919
ML	0.485381	0.363232	1.336282	0.1844
ROA*IM	0.781688	1.509094	0.517985	0.6056
LEV*IM	0.017919	0.032061	0.558899	0.5775
KA*IM	-0.285097	0.179879	-1.584936	0.1161
ML*IM	-3.820238	1.386435	-2.755440	0.0069

In the table above, it can be seen that the probability values for certain independent variables are less than 0.05, specifically the ROA variable (sig = 0.0393) and the ML*IM variable (sig = 0.0069). Therefore, it can be concluded that there is heteroskedasticity present in this model.

Multicollinearity Test

Multicollinearity Test is necessary to determine whether there are independent variables that exhibit similarity within a regression model. If correlations exist, it indicates that the regression model suffers from multicollinearity issues. Multicollinearity test is conducted by examining the tolerance values and the Variance Inflation Factor (VIF). The hypotheses for the multicollinearity test are:
H0: VIF < 10, indicating no multicollinearity.
Ha: VIF > 10, indicating multicollinearity exists.

The results of the multicollinearity test on the study respondents reveal that the VIF values are less than 10, thus indicating that the model does not exhibit multicollinearity symptoms.

Tabel 7 The Results Of The VIF Test Before Moderation

Variance Inflation Factors
Date: 06/15/24 Time: 14:32
Sample: 2020 2022
Included observations: 111

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.000159	6.930101	NA
ROA	0.041929	10.93227	2.067548
LEV	2.23E-05	1.842382	1.069227
KA	0.000369	8.364792	3.753179
ML	0.024462	2.604604	2.398843
IM	0.000645	8.123841	2.108262

Upon examining the Centered VIF for each independent variable, it is found that the Centered VIF values for all independent variables are still below 10. Therefore, the null hypothesis of the multicollinearity test is accepted, indicating that there is no issue of multicollinearity among the independent variables under study.

Tabel 8 Result VIF Moderation Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.000156	7.891348	NA
ROA	0.074619	24.27488	6.989553
LEV	2.63E-05	2.841490	1.632173
KA	0.001801	62.65704	18.44756
ML	0.073643	4.954036	4.332774
ROA*IM	0.202522	29.76362	11.96307
LEV*IM	0.000297	7.376901	2.957076
KA*IM	0.005860	93.87633	30.17867
ML*IM	0.525459	11.08035	8.968030

Based on the table above, it is observed that the Centered VIF values for several independent variables exceed 10: specifically, the variables KA (VIF=18.44756), ROAIM (VIF=11.96307), and KAIM (VIF=30.17867). Therefore, it can be concluded that in the moderation regression equation, multicollinearity issues cannot be avoided.

Analysis Of Linear Regression Panel Data Random Effect Model

Based on the estimation methods of regression models including the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), as well as the selection of the regression equation estimation model using the Chow Test, Hausman Test, and Lagrange Multiplier Test, the Common Effect Model (CEM) has been selected for the linear panel data regression equation. The estimated model obtained from the Common Effect Model (CEM) is formulated as follows:TA = 6,513109 + 1,694155 ROA – 0,074059 LEV + 0,386738 KA – 0,280568 ML – 12,56610 ROA*IM – 0,000634 LEV*IM + 0,196486 KA*IM + 0,250010 ML*IM The results of the linear panel data regression equation above show that TA (tax avoidance) proxied by ETR has a constant value of 6.513109. This means that if all other independent variables remain constant, the value of tax avoidance measured by ETR is 6.513109.

The regression coefficient for ROA is 1.694155, indicating that a one-unit increase in ROA will increase TA by 1.694155 units, assuming all other independent variables remain constant. As ROA increases, ETR is expected to increase accordingly, and vice versa.The regression coefficient for LEV is -0.074059, meaning that a one-unit increase in LEV will decrease TA by 0.074059 units, assuming all other independent variables remain constant. As LEV increases, ETR is expected to decrease, and vice versa.The regression coefficient for KA is 0.386738, indicating that a one-unit increase in KA will increase TA by 0.386738 units, assuming all other independent variables remain constant. As KA increases, ETR is expected to increase, and vice versa.The regression coefficient for ML is -0.280568, meaning that a one-unit increase in ML will decrease TA by 0.280568 units, assuming all other independent variables remain constant. As ML increases, ETR is expected to decrease, and vice versa.The regression coefficient for ROA*IM is -12.56610, indicating that a one-unit increase in ROA*IM will decrease TA by 12.56610 units, assuming all other independent variables remain constant. As ROA*IM increases, ETR is expected to decrease, and vice versa.The regression coefficient for LEV*IM is -0.000634, meaning that a one-unit increase in LEV*IM will decrease TA by 0.000634 units, assuming all other independent variables remain constant. As LEV*IM increases, ETR is expected to decrease, and vice versa.The regression coefficient for KA*IM is 0.196486, indicating that a one-unit increase in KA*IM will increase TA by 0.196486 units, assuming all other independent variables remain constant. As KA*IM increases, ETR is expected to increase, and vice versa.The regression coefficient for

ML*IM is 0.250010, meaning that a one-unit increase in ML*IM will increase TA by 0.250010 units, assuming all other independent variables remain constant. As ML*IM increases, ETR is expected to increase, and vice versa.

T-Test

The t-test is used to determine the individual (partial) effect of independent variables on the dependent variable. The significance level used is 0.05, comparing the calculated t-value with the critical t-value from the table (Ghozali, 2013: 97). The basis for decision-making is as follows:
a. If the probability value < 0.05 and the calculated t-value > the critical t-value, then H0 is rejected. This means that the independent variable has a significant individual (partial) effect on the dependent variable.
b. If the probability value > 0.05 and the calculated t-value < the critical t-value, then H0 is accepted. This means that the independent variable does not have a significant individual (partial) effect on the dependent variable.

According to Astuti (2013), determining the Degrees of Freedom (DF) is necessary for hypothesis testing in regression models. It is calculated using the formula df = n - k, where n is the number of observations over the data period, and k is the number of independent and dependent variables. In regression analysis, a one-sided probability is used, with a significance level of alpha = 0.05.

Tabel 9 Results Of The Common Effect Model Using Weighted Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.513109	5.153850	1.263737	0.2092
ROA/(ML*IM)	1.694155	0.845001	2.004914	0.0476
LEV/(ML*IM)	-0.074059	0.005378	-13.76970	0.0000
KA/(ML*IM)	0.386738	0.106329	3.637203	0.0004
ML/(ML*IM)	-0.280568	0.640011	-0.438380	0.6620
ROA*IM/(ML*IM)	-12.56610	4.655342	-2.699287	0.0081
LEV*IM/(ML*IM)	-0.000634	0.134743	-0.004702	0.9963
KA*IM/(ML*IM)	0.196486	0.446263	0.440292	0.6607
1/(ML*IM)	0.250010	0.008831	28.31196	0.0000
Weighted Statistics				
Root MSE	809.1274	R-squared		0.925359
Mean dependent var	289.6512	Adjusted R-squared		0.919505
S.D. dependent var	2966.784	S.E. of regression		844.0697
Sum squared resid	72670281	F-statistic		158.0685
Durbin-Watson stat	1.879274	Prob(F-statistic)		0.000000
Unweighted Statistics				
R-squared	0.780528	Mean dependent var		156.6486
Sum squared resid	3.00E+08	Durbin-Watson stat		2.000321

Variable ROA has a probability value of 0.0238 (0.0476 / 2), which is smaller than the significance level of 0.05 (0.0238 < 0.05), thus H0 is rejected and Ha is accepted. Therefore, it can be concluded that ROA significantly and positively influences tax avoidance.Variable LEV has a probability value of 0.0000 (0.0000 / 2), which is smaller than the significance level of 0.05 (0.0000 < 0.05), thus H0 is rejected and Ha is accepted. Hence, it can be concluded that LEV significantly and positively influences tax avoidance.Variable KA has a probability value of 0.0002 (0.0004 / 2), which is smaller than the significance level of 0.05 (0.0004 < 0.05), thus H0 is rejected and Ha is

accepted. Therefore, it can be concluded that KA significantly and positively influences tax avoidance.Variable ML has a probability value of 0.331 (0.6620 / 2), which is greater than the significance level of 0.05 (0.6620 > 0.05), thus H0 is accepted and Ha is not accepted. Therefore, it can be concluded that ML does not significantly influence tax avoidance.

Variable ROA*IM has a probability value of 0.00405 (0.0081 / 2), which is smaller than the significance level of 0.05 (0.0081 < 0.05), thus H0 is rejected and Ha is accepted. Therefore, it can be concluded that the moderation effect of audit intensity strengthens the influence of ROA on tax avoidance.Variable LEV*IM has a probability value of 0.49815 (0.9963 / 2), which is greater than the significance level of 0.05 (0.9963 > 0.05), thus H0 is accepted and Ha is not accepted. Therefore, it can be concluded that the moderation effect of audit intensity weakens the influence of leverage on tax avoidance.Variable KA*IM has a probability value of 0.33035 (0.6607 / 2), which is greater than the significance level of 0.05 (0.6607 > 0.05), thus H0 is accepted and Ha is not accepted. Therefore, it can be concluded that the moderation effect of audit intensity weakens the influence of audit quality on tax avoidance.Variable ML*IM has a probability value of 0.0000 (0.0000 / 2), which is smaller than the significance level of 0.05 (0.0000 < 0.05), thus H0 is rejected and Ha is accepted. Therefore, it can be concluded that the moderation effect of audit intensity strengthens the influence of earnings management on tax avoidance.

Coefficient Of Determination Test (R2)

This test is conducted to examine the influence or contribution of independent variables to the dependent variable. The coefficient of determination, ranging from 0 to 1, indicates the strength of the relationship between independent and dependent variables. A coefficient approaching 0 signifies a weak relationship, whereas a coefficient approaching 1 indicates a strong relationship between the independent and dependent variables. According to Kuncoro (2013:247), adding any independent variable will increase R2, regardless of whether the variable significantly affects the dependent variable or not. For regressions with more than two independent variables, it is recommended to use adjusted R2. Therefore, in this study, the researcher used adjusted R2 to measure the percentage of influence of independent variables on the dependent variable. The results of the coefficient of determination test are as follows:

Tabel 10 Results of R2 Test using Weighted Least Squares Method

R-squared	0.925359
Adjusted R-squared	0.919505

The results obtained from the coefficient of determination test with an adjusted R2 value of 0.919505 indicate that 91.95% of the variation in tax avoidance, measured by effective tax rate (ETR), can be explained by ROA, LEV, KA, ML, ROA*IM, LEV*IM, KA*IM, ML*IM. The remaining 8.05% (100% - 91.95%) is influenced by other factors not included in this study.

DISCUSSION

Profitability indicates the extent to which a company can generate profit as an indicator of its performance, with ROA used as a metric to measure how efficiently a company earns profit from its total assets. High profit levels reflect good management performance and can increase opportunities for tax avoidance. Research by Rachmat et al. (2023) and Wahyuni & Wahyudi (2021) shows that profitability significantly influences tax avoidance, while Anggraeni & Oktaviani (2021) state otherwise. The results of this study indicate that the ROA variable has a probability

value of 0.0238, smaller than the significance level of 0.05. Therefore, it can be concluded that ROA significantly and positively affects tax avoidance. This finding aligns with research indicating a significant influence of profitability on tax avoidance, despite variations in other studies.

Leverage is used by companies to assess the extent to which their assets are financed with debt, with the debt to equity ratio (DER) as the primary metric. According to agency theory, principals empower agents to make decisions that benefit the company, potentially encouraging management to engage in tax avoidance actions. Research by Kusnadi (2022) and Pasaribu & Mulyani (2019) suggests that leverage negatively influences tax avoidance, whereas Apriliani (2023) finds a positive effect. The results of this study show that the LEV variable has a probability value of 0.0000, smaller than the significance level of 0.05, thereby accepting both H0 and Ha. Consequently, it can be concluded that LEV significantly and positively affects tax avoidance. This result aligns with Apriliani's (2023) findings but differs from Kusnadi's (2022) and Pasaribu & Mulyani's (2019) research.

Audit quality refers to the auditor's ability to identify violations in client accounting systems and communicate findings through audit financial reports. Auditors are expected to adhere to audit standards and relevant ethical codes in performing their duties. Wahyuni and Wahyudi (2021) assert that auditors provide superior audit quality through competence and quality audit capabilities. Audit quality can also be considered by observing the size of Public Accounting Firms (PAFs), where companies audited by Big Four firms are believed to have minimal tax avoidance. However, Monika and Noviari (2021) argue that audit quality does not influence tax avoidance. The results of this study indicate that the KA variable has a probability value of 0.0002, smaller than the significance level of 0.05, thereby rejecting H0 and accepting Ha. Thus, it can be concluded that KA significantly and positively affects tax avoidance. This finding contradicts Monika and Noviari's (2021) study but supports the importance of audit quality in influencing tax avoidance. Research by Ishaku & Abdulkarim (2021) shows that board meetings, measured by the number of meetings, have a positive and significant relationship with audit report lag, indicating that more meetings lead to greater delays in audit reports, with a 1% increase in board meetings increasing the audit report lag by 3.018%. However, the results of this study show that the BOM variable has a probability value of 0.036, smaller than the significance level of 0.05, thereby rejecting H0 and accepting Ha. This indicates that BOM significantly and negatively affects audit report lag. Therefore, this study contrasts with Ishaku & Abdulkarim's (2021) findings, possibly due to differences in sample, methodology, or research context.

Capital intensity significantly influences the relationship between Return on Assets (ROA) and tax avoidance. Companies with substantial fixed assets can reduce taxable income through depreciation, thus more capable of tax avoidance. The results of this study show that the ROA*IM variable has a probability value of 0.00405 (0.0081/2), smaller than 0.05, thus accepting the hypothesis. This indicates that capital intensity strengthens the effect of ROA on tax avoidance.Companies with high capital intensity tend to use debt effectively to finance investments, which can provide tax benefits through interest deductions. However, the results of this study show that the LEV*IM variable has a probability value of 0.49815, larger than 0.05, thus rejecting the hypothesis. This suggests that capital intensity weakens the effect of leverage on tax avoidance. Therefore, this study's results do not align with the view that capital intensity strengthens the effect of leverage on tax avoidance.

External auditors ensure that management-prepared financial statements are accurately presented and free from material errors in accordance with GAAP. Large international scale Public Accounting Firms (PAFs), such as the Big Four, tend to be more meticulous and careful in handling company manipulative behaviors, whereas companies using non-Big Four KAPs are more involved in earnings management to enhance tax avoidance. The results of this study show that the KA*IM variable has a probability value of 0.33035, larger than 0.05, thus rejecting the hypothesis. This means that capital intensity weakens the effect of audit quality on tax

avoidance. Therefore, this study's results do not align with the view that capital intensity strengthens the effect of audit quality on tax avoidance.

Companies with high capital intensity have more opportunities for earnings management that can influence tax avoidance. The results show that the ML*IM variable has a probability value of 0.0000, smaller than 0.05, indicating that capital intensity strengthens the effect of earnings management on tax avoidance. In conclusion, this study supports the view that capital intensity strengthens the effect of earnings management on tax avoidance.

CONCLUSION

This study examines the influence of financial performance, audit quality, and earnings management on tax avoidance with capital intensity as a moderating variable in infrastructure companies listed on the Indonesia Stock Exchange (IDX) during the period 2020-2022. The research findings indicate that profitability (ROA) and leverage (LEV) significantly and positively affect tax avoidance, whereas earnings management (ML) does not have a significant influence. Audit quality (KA) also shows a significant positive effect on tax avoidance. In moderating capital intensity, it was found that capital intensity strengthens the impact of ROA and earnings management on tax avoidance, while weakening the influence of leverage and audit quality on tax avoidance. Companies with substantial fixed assets tend to effectively reduce tax burdens through depreciation but do not always utilize debt effectively for this purpose. These findings provide valuable insights for companies and regulators to optimize tax avoidance practices and strengthen corporate governance in the IDX infrastructure sector.

SUGGESTION

Based on the research findings and conclusions discussed above, future studies are expected to expand the sample size to include both financial and non-financial companies. This expansion would increase the sample diversity and allow for the inclusion of additional variables that may influence tax avoidance. Variables such as profitability, leverage, audit quality, and earnings management only partially explain the variance in tax avoidance. Therefore, there are likely other variables that could also impact tax avoidance but have not been explored yet. Consequently, future research would benefit from incorporating these additional variables to provide a more comprehensive understanding of tax avoidance dynamics.

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