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TAX AVOIDANCE BY REPUTABLE COMPANIES: DOES BRAND VALUE HAVE MODERATING ROLE?

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ABSTRACT

Purpose: To examine the effect of profitability and capital intensity on tax avoidance and to determine the role of brand value in moderating the effect of profitability and capital intensity on tax avoidance.

Methodology/approach: Using a purposive sampling method, producing 190 observation data from 75 companies listed on the Indonesia Stock Exchange and included in the top 100 strongest and most valuable brands published by Brand Finance in 2017 to 2019. The relationship between variables will be tested using data panel regression analysis with moderation effects (Moderation Regression Analysis).

Findings: Profitability has a positive effect on tax avoidance, while capital intensity has a negative effect on tax avoidance. Furthermore, the moderating role of brand value was found in the effect of profitability on tax avoidance, but not found in the effect of capital intensity on tax avoidance.

Practical implications: When companies avoid taxes, they not only take into account their profitability but also consider their brand value. High brand value shows that the company has a good reputation, and in essence the company will try to maintain its good reputation by not avoiding taxes.

Originality/value: Provides empirical evidence on the moderating role brand value on the effect of profitability and capital intensity on tax avoidance.

Keywords: Brand Value; Capital Intensity; Profitability; Tax Avoidance.

ABSTRAK

Tujuan penelitian: *Untuk menguji pengaruh profitabilitas dan intensitas modal terhadap penghindaran pajak dan untuk mengetahui peran brand value dalam memoderasi pengaruh profitabilitas dan intensitas modal terhadap penghindaran pajak.*

Metode/pendekatan: *Dengan menggunakan metode purposive sampling, menghasilkan 190 data observasi dari 75 perusahaan yang terdaftar di Bursa Efek Indonesia dan masuk dalam top 100 merek terkuat dan paling berharga yang diterbitkan oleh Brand Finance pada tahun 2017 hingga 2019. Hubungan antar variabel akan diuji menggunakan analisis regresi berganda dengan efek moderasi (Analisis Regresi Moderasi).*

Hasil: *Profitabilitas berpengaruh positif terhadap penghindaran pajak, sedangkan intensitas modal berpengaruh negatif terhadap penghindaran pajak. Selanjutnya peran moderasi nilai merek terdapat pada pengaruh profitabilitas terhadap penghindaran pajak, namun tidak ditemukan pada pengaruh intensitas modal terhadap penghindaran pajak.*

Implikasi praktik: *Ketika perusahaan menghindari pajak, mereka tidak hanya memperhitungkan profitabilitasnya tetapi juga mempertimbangkan brand value-nya. Brand value yang tinggi menunjukkan bahwa perusahaan mempunyai reputasi yang baik, dan pada hakikatnya perusahaan akan berusaha mempertahankan reputasi baik tersebut dengan tidak melakukan penghindaran pajak.*

Orisinalitas/kebaharuan: *Memberikan bukti empiris mengenai peran moderasi brand value terhadap pengaruh profitabilitas dan intensitas modal terhadap penghindaran pajak.*

Kata kunci: *Brand Value; Intensitas Modal; Penghindaran Pajak; Profitabilitas.*

INTRODUCTION

The phenomenon of tax avoidance by reputable companies such as Apple and Starbucks is still a topic of discussion among practitioners and academics. Ignoring the principle of justice can trigger ethical problems that can arise due to tax avoidance. As reported by Barford & Holt (2013), reputable companies such as Starbucks, Google, and Amazon practice tax avoidance in the United Kingdom. They earn quite high incomes but pay very low-income taxes. Similar tax avoidance also occurs in the United States. Neate (2019) reported that six technology companies with well-known brands in the United States are evading taxes. The six companies include Amazon, Facebook, Google, Netflix, Apple and Microsoft. All these technology companies are suspected of aggressively evading around US$100 billion in global taxes over the last decade.

Companies that are reported to be avoiding taxes, such as Apple, Google, Microsoft, and other companies mentioned previously, can be said to have a very high reputation. Based on the Brand Finance report in 2013, this tax-evading company was included in the Top 500 Global Brands 2013. Apple, for example, was ranked first with the highest brand value of US$87.3 billion. Meanwhile, Google and Microsoft are ranked third and fourth with brand values of US$52.1 billion and US$45.5 billion.

The phenomenon of tax avoidance by highly reputable companies in the world is very interesting to research. Allegations of tax evasion by highly reputable companies have also been reported in Indonesia. Brama (2019) once reported on alleged tax avoidance carried out by PT Adaro Energy Tbk. The company is suspected of committing tax avoidance based on an investigation report conducted by International Global Witness. PT Adaro Energy is suspected of transferring a number of its revenues and profits from coal mining activities to overseas company networks. PT Adaro Energy Tbk is a highly reputable company operating in the mining and energy sector. This company is always included in the top 100 well-known companies released by Brand Finance in 2017-2019. Based on the report "Indonesia 100-The Annual Report on The Most Valuable and Strongest Brands" published by Brand Finance, it is always in the top 50 or in the "Gold" category. When the alleged tax avoidance was reported in 2019, PT Adaro Energy Tbk's brand value was USD 162 million

Tax avoidance practices are legal and do not violate any laws. However, if done aggressively, the company's principles of justice and ethical behavior will be questioned. According to deterrence economic theory, it is natural that every company will try to maximize income. High profits can be attained by either limiting costs to a minimum or raising income as much as possible. When companies can generate high profits, they will be reluctant to reduce their economic capacity to pay taxes. Ali et al. (2014) stated that taxpayers need to consider the rational costs and benefits of complying with taxation and the possible risks that will arise if they avoid taxes. Based on this explanation, it can be said that economic deterrence theory tends to focus on the costs that will arise due to the detection of non-compliance and the penalties that accompany it. Individuals or companies will tend to comply out of necessity and fear of punishment. Conversely, companies will try to pay lower taxes when the risk of fraud detection is also low. While Allingham & Sandmo (1972) illustrates that taxpayers will be faced with two choices, namely declaring actual income or declaring income that is lower than the actual situation. To avoid taxes, of course, taxpayers will declare their income lower than the actual condition.

Several previous studies have provided varying evidence that there is a relationship between profitability and tax avoidance. Putra & Zahroh (2023), Widyastuti et al. (2022) and Sulistiono (2019) found a positive relationship between profitability and tax avoidance. Meanwhile, Kiryanto et al. (2021) found negative relationship between profitability and tax avoidance and Silaban (2020) found no evidence that profitability is related to tax avoidance. Another way that is usually used to avoid tax is to charge the highest possible expense so that the calculation of taxable income is lower. Several previous studies used capital intensity to explain its relationship with tax avoidance. Capital intensity can describe how many fixed assets you own. Gardner & Wamhoff (2021) state that companies with large assets utilize accelerated depreciation charges to reduce income taxes substantially. Dewi & Oktaviani (2022), Sari & Indrawan (2022), Widyastuti et al. (2022), and Dwiyanti & Jati (2019) found a positive relationship between capital intensity and tax avoidance. Meanwhile, Ulfa et al. (2021) found no evidence that capital intensity is related to tax avoidance.

There has been quite a lot of research in Indonesia that examines the effect of profitability and capital intensity on tax avoidance. These researches obtained mixed results. However, the research that has been conducted has not included the company reputation factor which can describe the phenomenon of tax avoidance by reputable companies. As we know, tax avoidance continues to occur, one of which is carried out by reputable companies according to what is reported in the mass media. Researchers believe that other reputable companies are also doing this at different levels and certainly have not yet been exposed to the public. According to reputation management theory, a company will try to shape and maintain the perception and image of the company so that it is always good in the eyes of consumers, shareholders, and other interested parties. In this theory, it is believed that everything good will have a good impact on the company's reputation and image. Fombrun (1996) states that reputation is an intangible asset that can affect the success of an organization. Reputation is built based on company performance, ethical behavior, and effective communication. A well-built reputation can better position a company to survive and recover from negative events or crises. Reputation is also a crystallization of company values which can affect the views of stakeholders.

Davies & Miles (1998) emphasize the importance of understanding and managing reputation from the perspective of multiple stakeholders, including customers, investors, employees, and society at large. They recognize that different stakeholders may have varying expectations and perceptions. Reputation is considered very important because it is a strategic asset that can affect an organization's financial performance, relationships with stakeholders, and long-term success. Davies & Miles (1998) realize that an organization will one day face challenges that can negatively affect its reputation. Maintaining an existing reputation is as critical as building a new one. Therefore, as much as possible, a company maintains the reputation it has built now. Even though it is considered legal, tax avoidance can be considered a bad thing. So that reporting on tax avoidance in the mass media can harm the company's reputation. There are allegations that companies will consider their reputation when carrying out tax avoidance. Austin & Wilson (2017) conducted research in the United States and found that companies that have brands that are valuable in the eyes of consumers avoid taxes less. Meanwhile, Lee et al. (2021) found that the most admired companies in South Korea are reluctant to avoid taxes.

Based on theory and previous research, company reputation can be a consideration for companies in tax avoidance. Winkler & Gomes (2017) suggest looking at brand value to find out how good the company's reputation is. Therefore, to close the gap in previous research, brand value will be added as a variable in this research. Profitability and capital intensity will be used as independent variables and tax avoidance as the dependent variable. The brand value will be added as a moderating variable to obtain an explanation of the phenomenon of tax avoidance by reputable companies. The company's tendency to maintain its reputation is thought to affect the relationship between profitability, capital intensity, and tax avoidance.

Profitability can be used to measure the performance of a company. Kasmir (2016) explains that the profitability ratio is a ratio to assesses a company's ability to generate profits in a certain period, by proving the efficacy of a company's management through the sales or investment income profits. The rate of return on assets (ROA) is the metric that is most usually used to evaluate profitability. To calculate ROA, net earnings and all of the company's assets are compared. The higher the ROA, the higher the net profit generated from each rupiah of funds embedded in total assets. Based on economic deterrence theory, it is natural that individuals or companies will try to maximize their income. When companies can generate high income, they will not be willing for their income to decrease or flow out. They will try to hold back their high income by not paying or paying less tax. Putra & Zahroh (2023), Widyastuti et al. (2022) and Sulistiono (2019) have shown evidence that there is a positive relationship between profitability and tax avoidance. Therefore, our first hypothesis is:

H1: Profitability has a positive effect on tax avoidance

A company's fixed asset investment is referred to as capital intensity. Dewi & Oktaviani (2022) explained that capital intensity describes the amount of investment from capital allocated to fixed assets. Capital intensity can show how efficiently a company generates income using its fixed assets. Based on economic deterrence theory, companies will maximize profits by keeping the tax burden as low as possible. One way a company can do this is to invest the company's idle funds in the form of fixed assets, to utilize the depreciation expense as a reduction in the tax burden. Dewi & Oktaviani (2022), Sari & Indrawan (2022), Widyastuti et al. (2022), and Dwiyanti & Jati (2019) found evidence that there is a positive relationship between capital intensity and tax avoidance. Therefore, our second hypothesis is:

H2: Capital Intensity has a positive effect on tax avoidance

Brand value is a value that states how much consumers are willing to pay more for goods or services with a particular brand compared to other brands. Brand value does not only describe economic value but also describes the value of loyalty where consumers will choose, remember, and have hopes for the brand. Akyildiz (2022) states that the brand value concept contributes not only to consumer loyalty but also to increases in product prices so that brand value can also describe a company's financial performance. Apart from that, brand value also describes the company's value from various perspectives. Abratt & Bick (2003) states that brand value can describe measurements in terms of company performance, consumer satisfaction and investor expectations. Based on reputation management theory, companies will tend to maintain their good reputation. So, companies that have high brand value will maintain it by not taking actions that have a negative impact, one of which is avoiding taxes. Reporting on tax avoidance in the mass media is likely to reduce consumer perception and loyalty towards the company. Austin & Wilson (2017) and Lee et al. (2021) found evidence that companies with a high reputation tend to be reluctant to avoid tax. Therefore, our third and fourth hypothesis is:

H3: Brand value weakens the positive effect of profitability on tax avoidance
H4: Brand value weakens the positive effect of capital intensity on tax avoidance

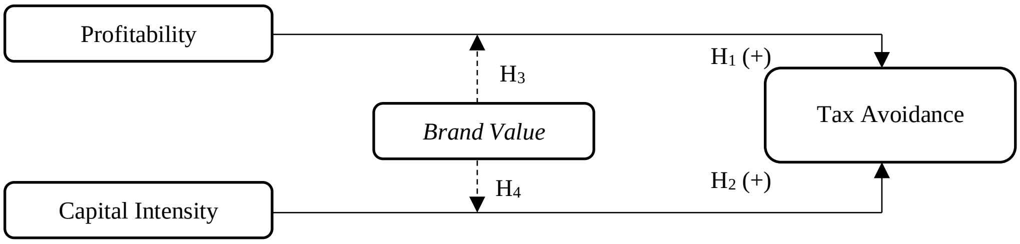


Figure 1. Research Conceptual Framework

This research will use a quantitative approach. This research uses a population of companies in Indonesia that are listed on the Indonesian Stock Exchange (BEI) and have been valued by Brand Finance in 2017-2019. Brand Finance valuation results are published every year in "Indonesia 100 - The Annual Report on The Most Valuable and Strongest Indonesian Brands" which contains the ranking of the top 100 companies with the highest brand value. To find out how big the relationship between each variable is, it will be tested using moderated regression analysis.

METHOD

Quantitative research with explanatory methods is used to explain the effect of the independent variable on the dependent variable. The population in this research is corporate taxpayers listed on the Indonesia Stock Exchange for the 2017-2019 period. Researchers are more confident in using older data because of the emergence of the Covid-19 pandemic in recent years. The Indonesian government has designated the Covid-19 pandemic as a national disaster in 2020. The national disaster status continued to persist, until it was revoked in mid-2023. During this period, researchers assessed that there was a lot of economic uncertainty which had an impact on companies' financial performance which worsened. On the other hand, during this period the government also provided many tax incentives for affected companies. It is believed that providing tax incentives could disrupt company tax policy. Based on these reasons, there is a high possibility that data anomalies will appear when using that period.

The data sample is selected using the purposive sampling method. This method is chosen to find samples that best suit the testing criteria so that the objectives of the research can be achieved. The sampling criteria for this research were as follows:

1. Companies that have received a valuation and are included in the "Indonesia 100 - The Annual Report on The Most Valuable and Strongest Indonesian Brands".
2. The company has completed and available financial reports and annual reports for 2017 - 2019.
3. The company did not experience losses, did not submit tax refunds, or compensate for losses during the research period.
4. Not a company where the majority of its income is subject to final Income Tax.

Secondary data is used in this research, which was obtained through documentation techniques. Company financial data is obtained from the Company's Financial Report and the Company's Annual Report. Data sources from the company's Financial Report can be downloaded at www.idx.co.id. Company brand value ranking data was obtained from the report "Indonesia 100 - The Annual Report on The Most Valuable and Strongest Indonesian Brands" published by Brand Finance and can be downloaded at www.brandirectory.com.

Hanlon & Heitzman (2010) measure the level of tax compliance or avoidance based on the information available in the company's financial statements. One method used by Hanlon &

Heitzman (2010) is to measure the effective tax rate or what is known as the Effective Tax Rate (ETR). ETR is measured by dividing some estimated tax liability by a measure of profit before tax or cash flow. The formula used to measure ETR as follows:

$$ETR_{i.t} = \frac{Tax\ Expense_{i.t}}{Net\ Income\ Before\ Tax_{i.t}}$$

Researchers believe that this approach, albeit accurate, is unable to adequately account for the extent of corporate tax avoidance. Therefore, researchers will compare the actual tax rate with the ETR. Tax avoidance is measured by subtracting the actual tax rate from the ETR and then dividing the actual tax rate. Companies are subject to a 25% tax in Indonesia. However, there are special regulations intended for public companies. They are given an incentive to reduce the tax rate by 5% for companies that meet certain criteria. In general, there are two applicable corporate tax rates, namely 25% and 20%. The formula used to measure tax avoidance as follows:

$$TAVOID_{i.t} = \frac{Actual\ Tax\ Rate_{i.t} - ETR_{i.t}}{Actual\ Tax\ Rate_{i.t}}$$

Company profitability is measured using Return on Assets (ROA). ROA is chosen to describe how this company manages its assets effectively to generate profits. The higher the ROA, higher the net profit made by each fund incorporated in total assets. The formula used to measure ROA as follows

$$ROA_{i.t} = \frac{Net\ Income\ Before\ Tax_{i.t}}{Total\ Assets_{i.t}}$$

Capital intensity is measured using the ratio between net fixed assets divided by total assets. This measurement can capture depreciation expenses originating from fixed assets owned by the company. The higher the capital intensity owned, the greater the number of fixed assets accompanied by high depreciation expenses. Capital intensity can be formulated as follows:

$$CI_{i.t} = \frac{Total\ Fixed\ Assets_{i.t}}{Total\ Assets_{i.t}}$$

Brand value in this research uses the brand value ranking published by Brand Finance. Brand Finance ranks the top 100 Indonesian companies that have the most valuable and strongest brands. Apart from that, Brand Finance also provides categories for the top 100 rankings, including Diamond (rank 1-10), Platinum (rank 11-25), Gold (rank 26-62), Silver (rank 63-86), and Bronze (rank 87). -100). Based on these categories, an ordinal scale variable is chosen to express the strength of brand value, with the following assessment:

- Score 4 is given to companies in the Diamond category (rank 1-10).
- Score 3 is given to companies in the Platinum category (ranks 11-25).
- Score 2 is given to companies in the Gold category (rank 26-62).
- Score 1 is given to companies in the Silver category (rank 63-86).
- Score 0 is given to companies in the Bronze category (rank 87-100).

Panel data regression with moderation analysis were used for analyzing the data. The relationship between the independent and dependent variables, as well as the moderating impact of the moderating variable, will be shown in the results. The relationship between the independent and dependent variables can be strengthened or weakened by moderating variables. The regression equation models in the research include:

Model 1:

$$TAVOID_{i.t} = \beta_0 + \beta_1 ROA_{i.t} + \beta_2 CI_{i.t} + \varepsilon_{i.t}$$

Model 2:

$$TAVOID_{i.t} = \beta_0 + \beta_1 ROA_{i.t} + \beta_2 CI_{i.t} + \beta_3 BV_{i.t} + \beta_4 (ROA \text{ x } BV)_{i.t} + \beta_5 (CI \text{ x } BV)_{i.t} + \varepsilon_{i.t}$$

Information:

TAVOID : Tax Avoidance (the difference between normal tax rate and ETR, then divided by normal tax rate) of company i in year t

ROA : Profitability (net income divided by total asset) of company i in year t

CI : Capital Intensity (fixed asset divided by total asset) of company i in year t

BV : Brand Value (Diamond/rank 1-10=4; Platinum/rank 11-25=3; Gold/rank 25-62=2; Silver/rank 63-86=1; Bronze/rank 87-100=0) of company i in year t

RESULTS AND DISCUSSION

Descriptive Statistics

This research used 75 Indonesian Stock Exchange companies during 2017-2019 which produced 190 research data samples that met the research criteria. The descriptive analysis results are shown in Table 1. Based on the data in Table 1. It is known that the tax avoidance variable has an average of -0.228365 with a standard deviation of 0.561236. The negative average value of the tax avoidance variable indicates that the majority of companies used as samples do not avoid tax. If we examine the entire sample in detail, there are 52 out of 190 data are positive. This indicates that around 27.37% of the sample avoided tax while the remaining 72.63% did not avoid tax.

Classical Assumption Test

The sample data used in this research is assumed to be normal according to the Central Limit Theorem (CLT). Spiegel & Stephens (2008) explain that data is considered normal when the amount of data used is large. Data is considered large when the number of observations (N) is more than 30 (N>30). The number of samples (N) in this research is 190 samples, which means the sample size is greater than 30. The data sample in this research meets the criteria for a large sample and can be assumed to be normally distributed.

Table 2 show multicollinearity test result. All independent variables in this research are free from multicollinearity problems because they meet the tolerance value >0.10 and VIF <10

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
TAVOID	190	-2,687386	0,923709	-0,228365	0,561236
ROA	190	0,001318	0,709149	0,087554	0,104970
CI	190	0,001746	0,860206	0,241591	0,231257
BV	190	0	4	1,89	1,161

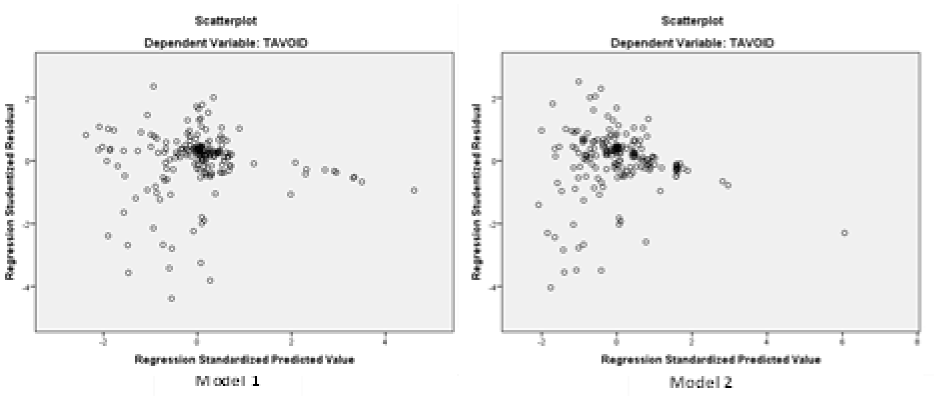
Source: processed data

Table 2.
Multicollinearity Test Result

Variable	Model 1		Model 2	
	Tolerance	**VIF**	***Tolerance***	**VIF**
ROA	0,921	1,086	0,187	5,344
CI	0,921	1,086	0,216	4,633
BV			0,341	2,929
ROA*BV			0,153	6,537
CI*BV			0,182	5,501

Source: processed data

Figure 2.
Heteroscedasticity Test



Source: processed data

Table 3.
Durbin Watson Test Result

Model	dU	4-dU	DW
1	1.784	2.216	2.034
2	1.817	2.183	2.035

Source: processed data

The heteroscedasticity test is used to determine whether there is an inequality in variance between the residuals from one observation and another in the regression model. Heteroscedasticity test result is shown in Figure 2. In the regression model, it is assumed that heteroscedasticity does not occur because there is no clear pattern, and the points are spread above and below the number 0 on the Y-axis.

Based on the Durbin-Watson test results in Table 3, the Durbin-Watson values of the two models are between dU and 4-dU. These results explain that both models passed the autocorrelation test.

Hypothesis Test

The coefficient of determination test (R^2) is carried out to determine and predict how big or important the effect contribution provided by the independent variables together is on the dependent variable. The R^2 value is between 0 and 1. The higher the R^2 value means the better the prediction model of the proposed research model. If the value is close to 1, it signifies that the independent variable provides nearly all of the information needed to predict the dependent variable. Table 4 shows that the coefficient of determination in model 1 obtained a value of 6.5% (0.065). This value can be said to be low because it is less than 10%. However, after the addition of the moderating variable in model 2, the coefficient of determination value increased to 11% (0.110).

Table 4.
Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.255	0.065	0.055	0.545524437
2	.332	0.110	0.086	0.536572575

Source: processed data

Table 5.
Simultaneous Regression Test

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.882	2	1.941	6.522	.002
	Residual	55.651	187	0.298		
	Total	59.532	189			
2	Regression	6.557	5	1.311	4.555	.001
	Residual	52.975	184	0.288		
	Total	59.532	189			

Source: processed data

Simultaneous regression test (F-Test) aims to find out whether the independent variables together (simultaneously) effect the dependent variable with a significance value of F < 0.05. The results of the F test in model 1 are in accordance with Table 5, producing an F value of 6.522 with a significance level of 0.002. Meanwhile, the F table value at the 95% confidence level ($\alpha = 0.05$) is 3.04. Thus, the value of F ≥ F table (6.522 ≥ 3.04) and the significance level of 0.002 ≤ 0.05 indicate that all independent variables, namely profitability and capital intensity together (simultaneously) have an effect on tax avoidance. The results of the F test in model 2 with the addition of brand value as a moderating variable produce an F value of 4.555 with a significance level of 0.001. Meanwhile, the F table value at the 95% confidence level ($\alpha = 0.05$) is 2.26. Thus, the value of F ≥ F table (4.555 ≥ 2.26) and the significance level of 0.001 ≤ 0.05 indicate that all independent variables, moderating variables and the interaction between independent variables and moderating variables together (simultaneously) have an effect on tax avoidance.

Next, to find out whether an independent variable has a partial effect on the dependent variable, the T test is used. The significance value is set at less than 0.05 ($\alpha \leq 0.05$). The results of the t test can be seen in table 7. The profitability variable which is proxied by Return on Assets (ROA) in model 1 gets a t value of 3.238 with a significance level of 0.001. Meanwhile, the t table value with two-sided testing (2 – tailed) is 1.97273. The value of t ≥ t table (3.238 ≥ 1.97273) and the significance level of 0.001 ≤ 0.05 indicate that the profitability variable has an effect on tax avoidance. The profitability variable has a regression coefficient of 1.275. A positive value (+) in the regression coefficient indicates a positive or unidirectional relationship. Based on this, it can be concluded that profitability has a positive effect on tax avoidance. The first hypothesis in this research is proven correct, **H1 is accepted.**

The capital intensity (CI) variable in model 1 gets a t value of -2.445 with a significance level of 0.015. The t test results are negative, so the t table value with a one-sided (1 – tailed) test of 1.65304 is used. The value of t ≥ t table (2.445 ≥ 1.65304) and the significance level of 0.015 ≤ 0.05 indicate that the capital intensity variable has an effect on tax avoidance. The capital intensity variable has a regression coefficient of -0.437. A negative value (-) in the regression coefficient indicates a negative relationship or in the opposite direction. Based on this, it can be concluded that capital intensity has a negative effect on tax avoidance. The second hypothesis in this study is not proven true because it is in the opposite direction, **H2 is rejected.**

Next, Moderated Regression Analysis is used in model 2 to test the role of the moderating variable in the relationship between the dependent variable and the independent variable. Brand value is added as a moderating variable which will then be interacted with each independent variable to test its impact.

Table 5.
T Test Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.234	0.062		-3.810	0.000
	ROA	1.275	0.394	0.238	3.238	0.001
	CI	-0.437	0.179	-0.180	-2.445	0.015
2	(Constant)	-0.571	0.134		-4.267	0.000
	ROA	2.732	0.860	0.511	3.179	0.002
	CI	-0.100	0.363	-0.041	-0.276	0.783
	BV	0.165	0.058	0.341	2.868	0.005
	ROABV	-0.707	0.352	-0.357	-2.010	0.046
	CIBV	-0.138	0.152	-0.148	-0.909	0.365

Source: processed data

The profitability variable which is proxied by Return on Assets (ROA) in model 2 gets a t value of 3.179 with a significance level of 0.002. Meanwhile, the t table value with two-sided testing (2 – tailed) is 1.97294. The value of t ≥ t table (3.179 ≥ 1.97294) and the significance level of 0.001 ≤ 0.05 indicate that the profitability variable has an effect on tax avoidance. The profitability variable has a regression coefficient of 2.732. A positive value (+) in the regression coefficient indicates a positive or unidirectional relationship. The test results in model 2 show consistent results and strengthen the results in model 1 testing where profitability has a positive effect on tax avoidance. However, the capital intensity (CI) variable in model 2 shows no effect on tax avoidance. The t value obtained by the capital intensity variable in model 2 is -0.276 with a significance level of 0.783.

The interaction between profitability and brand value in model 2 gets a t value of -2.010 with a significance level of 0.046. The t test results are negative, so the t table value with a one-sided (1 – tailed) test of 1.65318 is used. The t value ≥ t table (2.010 ≥ 1.65318) and the significance level of 0.046 ≤ 0.05 indicate that the interaction between profitability and brand value has an effect on tax avoidance. The interaction between profitability and brand value has a regression coefficient of -0.707. The negative value (-) in the interaction coefficient of profitability with brand value is in the opposite direction to the profitability coefficient in model 2. Thus, the interaction of brand value with profitability will weaken the effect of profitability on tax avoidance. Based on this, the third hypothesis in this study is proven correct, **H3 is accepted**

The interaction between capital intensity and brand value in model 2 gets a t value of -0.909 with a significance level of 0.365. The t test results are negative, so the t table value with a one-sided (1 – tailed) test of 1.65318 is used. The value of t ≤ t table (0.909 ≤ 1.65318) and the significance level of 0.365 ≥ 0.05 indicate that there is no role for brand value in moderating the relationship between capital intensity and tax avoidance. Based on this, the fourth hypothesis in this study is not proven true because there is no moderating role, **H4 is rejected.**

Adding brand value as a moderating variable in model 2 gets a t value of 2.868 with a significance level of 0.005. Meanwhile, the t table value with two-sided testing (2 – tailed) is 1.97294. The t value ≥ t table (2.868 ≥ 1.97294) and the significance level of 0.005 ≤ 0.05 indicate that the brand value variable has an effect on tax avoidance. The brand value variable has a regression coefficient of 0.165. A positive value (+) in the regression coefficient indicates a positive or unidirectional relationship with tax avoidance. Apart from that, when a variable is able to moderate the relationship between the independent variable and the dependent variable while also being an independent variable, then that variable is a quasi-moderator. So that, brand value in the research is a quasi-moderator because it has met the t test criteria and obtained a significance value below 0.05 both as an independent variable and as a moderating variable.

Effect of Profitability on Tax Avoidance

In this research, strong evidence was found of the positive effect of profitability on tax avoidance. A positive effect indicates that the higher the company's profitability, the higher the tax avoidance carried out. Vice versa, the lower the company's profitability, the lower the tax avoidance carried out. These results are in accordance with researchers' predictions in accordance with economic deterrence theory in explaining tax avoidance. This theory explains that basically every company will try to maximize income and prevent that income from decreasing or flowing out. Tax itself is a burden that can reduce income. Therefore, when there is an opportunity, companies will try to avoid taxes. Allingham & Sandmo (1972) explained that when avoiding tax, companies are faced with the choice of reporting according to actual conditions or deceiving to make it lower. When a company is known to have the ability to generate high profits, the company will carry out tax planning so that it is not subject to too large a tax. The company will try to make negative corrections to its income so that the amount of income subject to tax is smaller than the actual income.

The results also support previous research, where Putra & Zahroh (2023), Widyastuti et al. (2022) and Sulistiono (2019) found evidence that there is a positive effect of profitability on tax avoidance. Profitability is one measure of company performance. A high profitability value indicates that the company has the ability to generate large amounts of income. However, large income will be faced with a large income tax burden as well. Therefore, companies will try to manage their income taxes so that they are lower and do not burden the income they earn too much. Based on these reasons, previous researchers agreed that the higher a company's profitability, the higher the company's desire to avoid taxes.

Effect of Capital Intensity on Tax Avoidance

This research obtained different results from initial estimates, in which there was a negative effect of capital intensity on tax avoidance. This negative effect indicates that the higher the company's capital intensity, the lower the tax avoidance carried out. Vice versa, the lower the company's capital intensity, the higher the tax avoidance carried out. These results are slightly different from researchers' predictions regarding the direction of the capital intensity effect. Allingham & Sandmo (1972) stated that to deceive the correct financial statements, income and expense accounts can be adjusted to avoid high profits. Companies can reduce revenue recognition or carry forward possible future expenses. The accelerated depreciation expense policy is an opportunity for companies to charge more. Therefore, companies that have a high number of fixed assets have the opportunity to charge higher depreciation charges. However, the results of this study show the opposite, that companies with high fixed assets tend not to avoid tax.

The results of this research are different from previous research, where Widyastuti et al. (2022), Sari & Indrawan (2022) and Dwiyanti & Jati (2019) found evidence that there is a positive relationship between capital intensity and tax avoidance. They agree that companies with high fixed assets can avoid taxes by taking advantage of high depreciation charges. However, in this study, tax avoidance was actually carried out by companies with low fixed assets. Researchers suspect that the companies that are the object of this research use different methods to avoid taxes.

Basically, the simplest way to avoid tax is to report lower income or charge higher expenses, so that the calculation of taxable income is small. One suggestion that companies with small assets can avoid tax is by leasing with option rights (financial lease). Financial lease is a leasing activity for fixed assets, where the lessee company is given an option right at the end of the lease period to purchase the leased object based on the agreed residual value. The company that is the lessee is not permitted to record the leased object as a fixed asset and charge depreciation. However, the company can charge rent and interest expenses for the leasing activities. Companies can compare which way is more efficient to avoid taxes, by purchasing fixed assets or by leasing schemes. Further analysis and observations are still needed to prove the tax avoidance scheme for the object of this research.

Brand Value moderates the Effect of Profitability on Tax Avoidance

Evidence has been obtained that there is a moderating role of brand value on the effect of profitability on tax avoidance. Brand value is able to weaken the effect of profitability on tax avoidance. This result is in accordance with researchers' predictions that companies consider their reputation in making tax policies. One indicator of a good company reputation can be seen from its brand value. Based on reputation management theory, companies will try to improve or maintain their reputation. There is a belief that all good things will have an impact on increasing reputation, and vice versa, bad things will have an impact on decreasing reputation.

The practice of tax avoidance is permitted and does not violate the law. However, if done aggressively, it will raise ethical problems for the company. Companies that record high profits should pay more or proportional taxes. According to Fombrun (1996), good and bad reputation can be caused by ethical behavior carried out by the company. If a company wants to improve or maintain its reputation, it should avoid unethical behavior that could harm the company. Winkler & Gomes (2017) stated that one indicator of a good company reputation is having high brand value. Because companies are not only concerned with profitability in avoiding taxes, but also must pay attention to the brand value they have achieved. As is known, negative news about tax avoidance in the mass media can reduce consumer perceptions and loyalty towards companies.

The results of this research also provide evidence support for previous research, where Austin & Wilson (2017) and Lee et al. (2021) found that companies consider their reputation when carrying out tax avoidance. Even though in this research brand value is positioned in an indirect relationship, brand value is able to weaken the company's desire to avoid taxes. Austin & Wilson (2017) stated that bad news about tax avoidance can damage a company's reputation and affect consumer perceptions. In research by Austin & Wilson (2017) it was found that companies try not to avoid taxes because they are worried that it will incur large costs to repair a declining reputation. In agreement with this, Lee et al. (2021) also found that companies with high brand value will remain consistent in maintaining their high value by not engaging in unethical or immoral behavior, including tax avoidance behavior.

Brand Value moderates the Effect of Capital Intensity on Tax Avoidance

This research is unable to provide evidence that there is a moderating role by brand value on the effect of capital intensity on tax avoidance. This result is not in accordance with the researchers' initial prediction, that brand value will weaken the effect of capital intensity on tax avoidance. This is possibly related to the results of previous tests that capital intensity has a negative effect on tax avoidance. Based on these negative effects, there is a suspicion that companies with high fixed assets do not take advantage of depreciation charges to avoid taxes. In fact, companies with low fixed assets tend to avoid taxes. Companies with low capital intensity are suspected of using other means to avoid taxes. On the other hand, reputable companies or owners of high brand value are synonymous with large amounts of assets. For this reason, brand value in this study was unable to moderate the relationship between capital intensity and avoidance

CONCLUSION

From the analysis results, it can be concluded that profitability has a positive effect on tax avoidance. Companies with the ability to generate high income will carry out financial planning so that the tax burden they bear is lower. Furthermore, it is concluded that capital intensity has a negative effect on tax avoidance. Companies whose assets are mostly fixed assets or capital-intensive tend not to avoid tax. In other words, tax avoidance is carried out by companies that have lower fixed assets.

In the Moderated Regression Analysis test, it was concluded that brand value has a moderating role in the effect of profitability on tax avoidance. Brand value weakens the effect of profitability on tax avoidance. The company will take into account its brand value to avoid tax avoidance even though it has high profitability. In other words, companies tend to maintain their good reputation by trying to comply with taxation. However, in the same test, no moderating role was found by brand value in the relationship between capital intensity and tax avoidance.

This research provides a new vision of economic deterrence theory where brand value can be a consideration for companies whether or not to avoid tax. To achieve high brand value requires a lot of effort and time. News about tax avoidance has a negative impact on the company's brand value, there will be costs to repair or rebuild the company's brand value from the start. These costs are expected to be a factor to prevent (to deter) companies from tax avoidance.

This research has not considered the types of business activities carried out by the company. Researchers suspect that differences in company business processes can influence the ways or methods of tax avoidance carried out. Apart from that, different types of business activities have different approaches to consumers. For example, a comparison between companies that produce goods and service companies. Companies that produce goods may rarely have direct contact with consumers compared to service companies. There are allegations that there are differences in the level of consumer perception and loyalty in these two sectors. Apart from that, the number of competing companies is also likely to break up the concentration of consumption carried out by consumers. Therefore, it is hoped that in future research it is necessary to consider the types of business activities carried out by the company. To make things easier, future research can use sector or sub-sector references listed in public company information.

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