SIMPOSIUM ILMIAH AKUNTANSI 6

EFFECT OF LIQUIDITY, CAPITAL INTENSITY, FINANCIAL DISTRESS ON TAX AVOIDANCE WITH AUDIT COMMITTEE MODERATION

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ABSTRACT

This research aims to determine the influence of liquidity, capital intensity, and financial distress on tax avoidance with the audit committee as a moderating variable. Research was conducted on Kompas100 indexed companies which have been successively listed on the Indonesia Stock Exchange (BEI) in 2020-2023. The research sample used a purposive sampling method which obtained 27 companies. The data analysis method uses Moderate Regression Analysis (MRA) with the help of the EViews version 12 application. This research has the results that (1) Liquidity has no effect on tax avoidance, (2) Capital intensity has no effect on tax avoidance, (3) Financial distress has a negative effect on tax avoidance, (4) The audit committees cannot moderate the effect of liquidity on tax avoidance, (5) The audit committee cannot moderate the influence of capital intensity on tax avoidance, and (6) The audit committee can moderate the influence of financial distress on tax avoidance.

INTRODUCTION

The introduction explains the research background, the importance of the research topic, research issues, research objectives, and research contributions. Explain the *state of the art* of previous research which is similar, explain the research gap, *and* how this research contributes to filling the research gap or has *novelty* or newness. The introduction does not consist of subtitles.

Tax is a contribution that must be paid by the public to the state, as stated in the Harmonization of Tax Regulations Law No. 7 of 2021, which updates the General Provisions on Taxation Law (KUP) No. 28 of 2007, article 1 paragraph 1 regarding General Provisions and Procedures of Taxation. It states that tax is a compulsory contribution to the state, owed by both individuals and entities, enforced by law, and not directly compensated. It will be used for the needs and interests of the state to achieve the greatest prosperity for society.

The proportion of tax revenue in the State Budget (APBN) has surpassed an average of around 70%, but its implementation remains challenging due to taxpayers (WP) who do not always respond well to the government's requests to fulfill their tax obligations. Many companies attempt to reduce their tax liabilities by finding ways to minimize or eliminate tax obligations, as taxes are often seen as an additional cost that cuts into the company's net profits (Hulu & Santosa, 2023).

The government strives optimally to ensure that tax collection is effective and efficient, by revising tax laws, including procedures for implementation and the tax collection system. Indonesia has adopted a self-assessment system for tax collection.

Under the self-assessment system, the government grants taxpayers the authority to calculate, pay, and report their own taxes. However, the introduction of this system has made it one of the most vulnerable areas for tax avoidance practices, as taxpayers are responsible for determining the amount of tax they should pay to the government. This system becomes an opportunity for taxpayers to reduce their tax burdens, which may even lead to illegal actions.

Tax avoidance, which is legally permissible, refers to efforts to avoid taxes using methods or techniques that exploit weaknesses or grey areas in the regulations, aimed at reducing the amount of taxes owed.

One example of tax avoidance occurred in 2015 with PT Indofood Sukses Makmur Tbk, which engaged in tax avoidance by establishing a new business entity and transferring assets, debts, and capital to avoid taxes amounting to IDR 1.3 billion (Maryam, 2022). Despite this, the business expansion made to avoid taxes by transferring the Noodle Division (Instant Noodle Factory) to PT Indofood Sukses Makmur Tbk still required payment of taxes on the owed amount of IDR 1.3 billion (Rahmawati et al., 2023).

Companies listed in the Kompas100 Index, which measures 100 publicly traded companies based on their stock performance, liquidity, and market capitalization, are considered in this study. Thus, the study will consider several factors to understand the impact of tax avoidance, with liquidity being one of the factors that may influence it.

Liquidity is used to measure the efficiency of a company's assets in fulfilling its short-term debts (Damsut & Shanti, 2023). A company with high liquidity is one where current assets exceed short-term debts, indicating the company's ability to meet its short-term obligations, including paying taxes in accordance with applicable regulations (Muthmainah & Hermanto, 2023).

Capital intensity refers to the investment activities undertaken by a company in the form of fixed assets, which will then demonstrate the efficiency of using the company's assets to support sales. Thus, capital intensity can be a reason for tax avoidance, as companies may utilize unused funds to purchase fixed assets, leading to depreciation each year. This depreciation will be recorded as an expense, helping to minimize the company's tax burden (E. W. Sari & Zahri, 2021).

Financial distress can occur in any company when the company faces financial difficulties, where liabilities exceed assets, making it impossible for the company to meet its financial obligations to creditors because it cannot generate profits (Utami & Danarsari, 2023). Financial difficulties may lead a company to find solutions, one of which is minimizing or reducing its tax burden through tax avoidance (Amni & Pratama, 2023).

The audit committee is a professional and independent committee established by the Board of Commissioners to review the company's accounting policies, understand the external reporting system, and oversee the financial reporting process, audit execution, risk management, corporate governance implementation, and compliance with regulations. The audit committee's role is to ensure tight oversight of the company's management, preventing any illegal actions or violations of rules, including those related to tax avoidance (Ngabdillah et al., 2022).

Therefore, the researcher will use the audit committee as a moderating variable, which is expected to align with the variables of liquidity, capital intensity, and financial distress.

The statement above indicates that tax avoidance through tax avoidance remains a hot topic in the field of taxation, one that may never be fully resolved. Previous research on tax avoidance has produced varying and inconsistent results across studies. Furthermore, few studies have focused on tax avoidance in companies listed in the Kompas100 index, one of the stock indices on the Indonesia Stock Exchange (BEI), using the audit committee as a moderating variable for factors influencing tax avoidance. Thus, this becomes the foundation and motivation for the researcher to conduct this study.

This study will also reflect the results of previous research by Abda Millatul Amni and Abdul Aziz Nugraha Pratama (2023), which shares similarities in the use of independent variables such as financial distress, the dependent variable of tax avoidance, and the moderating variable of the audit committee. However, there are several differences from the previous study, as follows:

1. The addition of independent variables, namely liquidity and capital intensity.

2. The previous study used only financial distress as an independent variable, while the data from the previous research included other factors influencing tax avoidance, such as ROA (Return on Assets) and leverage.

3. The subject of this study uses data from companies listed in the Kompas100 index, which have been consecutively listed on the Indonesia Stock Exchange (BEI) for the 2020-2023 period. In contrast, the previous research used data from Islamic Commercial Banks in Indonesia for the 2016-2021 period.

This study aims to observe whether there are similarities or differences in the results when using different variables and samples compared to the previous research. Therefore, the researcher is highly interested in conducting further research on **"Effect of Liquidity, Capital Intensity, Financial Distress on Tax Avoidance with Audit Committee Moderation (A Study on Kompas100 Listed Companies on the Indonesia Stock Exchange for the 2020-2023 Period)"**.

Theoretical Framework

The theoretical framework in this research is based on several key theories that explain the relationship between liquidity, capital intensity, financial distress, and tax avoidance, with the role of the audit committee as a moderating variable. Below are the primary theories relevant to this study:

Agency Theory

The agency theory was introduced by Jensen & Meckling (1976), which explains the relationship between the agent and the principal. This theory defines the agency relationship as a contract between one or more individuals, where the principal entrusts the agent to perform services on their behalf as the owner to run the company. The difference in interests between the principal and the agent leads to tax avoidance as a form of tax planning strategy carried out by management that is legal in accordance with the law and does not conflict with tax regulations.

Theory of Planned Behavior

This theory, developed by Ajzen in 1991, explains that the foundation of an individual's non-compliance with tax regulations may arise from the intention that drives a person to exhibit non-compliant behavior (Amni & Pratama, 2023). The theory includes explanations regarding attitudes toward behavior, subjective norms, and behavioral control. According to the theory of behavior, there is non-compliant behavior exhibited by taxpayers regarding tax regulations, driven by the intention to behave non-compliantly for the sake of gaining advantages from conflicting interests.

Tax Avoidance

Tax avoidance is a form of legal tax planning that does not conflict with tax regulations, involving actions to minimize or reduce the tax burden in accordance with the applicable laws (Dewi, 2019). Therefore, tax avoidance becomes one form of active resistance to taxation, where taxpayers actively engage in efforts to reduce or eliminate their tax burden. Therefore, tax avoidance is a form of legal tax evasion in accordance with tax regulations, where the weaknesses or grey areas in the existing regulations are exploited to minimize the amount of tax payable. This is done by using the Cash Effective Tax Rate (CETR) model to explain tax avoidance activities (Napitupulu et al., 2020).

Liquidity

Liquidity is a ratio used to measure a company's ability to meet its short-term obligations by comparing its current assets to its current liabilities. A stable or relatively unchanged level of current assets compared to current liabilities provides an overview of the company's financial condition, which is necessary to assess its ability to pay short-term obligations (Theresia & Salikim, 2023). A company with a high liquidity level, as seen from its current assets being higher than its short-term liabilities, indicates its ability to settle short-term debts on time, including paying taxes in accordance with the applicable regulations (Muthmainah & Hermanto, 2023).

Financial Distress

Financial distress refers to a condition where a company faces financial difficulties and unstable financial conditions, which can signal the beginning of bankruptcy. In such situations,

tax avoidance measures may be taken to reduce the tax burden, with the hope that this will help restore the company's financial condition (Lukito & Sandra, 2021). Financial difficulties within a company will trigger a negative reaction from stakeholders, including investors and creditors, who will be more cautious when considering investments and granting loans. This situation forces the company to address the issue quickly, one of which is through the utilization of tax avoidance strategies (Kalbuana et al., 2023).

Audit Committee

The audit committee is a professional and independent committee, assisted by the board of commissioners. The audit committee strengthens the role of the board of commissioners as supervisors and controllers during the process of financial reporting, audit implementation, and risk management. It also supports corporate governance within the company when the audit committee functions effectively, which is expected to help prevent fraud by management.

LITERATURE REVIEW

The Effect of Liquidity on Tax Avoidance

Research conducted by Tagor Darius Sidauruk, Adolpino Nainggolan, and Nichmah Listiyarini (2024) suggests that liquidity refers to a company's ability to settle its short-term obligations, which reflects the performance and capability of management in managing capital funded by current liabilities and the company's cash. Companies with adequate current assets are better positioned to meet short-term obligations, thus avoiding various unfavorable risks. However, if a company lacks sufficient current assets, there is a risk of struggling to pay its short-term obligations, which may lead the company to adopt tax avoidance practices by utilizing its liquidity for other operational activities. Therefore, liquidity has an impact on tax avoidance. This statement is also supported by research from Suhaidar, Erwandy, Muhammad Qomaruddin Ridwan, and Berkati Sitorus (2022), which found that liquidity affects tax avoidance practices both simultaneously and partially.

H 1 :   Liquidity has a positive effect on tax avoidance.

The Effect of Capital Intensity on Tax Avoidance

Research conducted by Dicky Putra Lukito and Amelia Sandra (2021) argues that a company's fixed assets can generate depreciation expenses, which reduce profits. As a result, lower company profits lead to a reduced tax burden. This statement is also supported by the research of Erma Wulan Sari and Rihan Mustafa Zahr (2021), which found that capital intensity has a positive effect on tax avoidance. In other words, companies with higher capital intensity, due to greater fixed asset investments, are more likely to engage in tax avoidance practices to minimize their tax obligations.

H 2 :   Capital intensity has a positive effect on tax avoidance.

The Effect of Financial Distress on Tax Avoidance

Research conducted by Christin Maria Monika and Naniek Noviari (2021) suggests that financial distress has a negative effect on tax avoidance, meaning that the higher the financial distress a company experiences, the lower the tendency for the company to engage in tax avoidance. This statement is also supported by the research of Dicky Putra Lukito and Amelia Sandra (2021), which found that financial distress does not have a positive effect on tax avoidance. In other words, companies facing financial distress are less likely to engage in tax avoidance practices, possibly because they prioritize addressing their financial difficulties over reducing tax liabilities.

H 3 :   Financial distress has a negative effect on tax avoidance.

The Audit Committee Moderates the Effect of Liquidity on Tax Avoidance

Research conducted by Ni Kadek Kartika Yogiswari and I Wayan Ramantha (2017) suggests that the audit committee moderates the effect of liquidity on tax avoidance, particularly in terms of tax aggressiveness. The study argues that the audit committee can be

considered effective if it provides proper control over the company and can reduce accounting irregularities often found in companies in Indonesia. By overseeing financial practices, the audit committee can help ensure that tax avoidance strategies are not overly aggressive or misused, promoting transparency and compliance with regulations.

H 4 :   The audit committee can moderate the effect of liquidity on tax avoidance.

The Audit Committee Moderates the Effect of Capital Intensity on Tax Avoidance

Research conducted by Ratnawati Raflis and Dhea Rizky Ananda (2020) suggests that the audit committee moderates the effect of capital intensity on tax avoidance, particularly in terms of tax aggressiveness. Capital intensity, which includes investments in fixed assets, is seen as a means for the company to produce goods and generate profits, with depreciation expenses on these fixed assets reducing taxable income. The audit committee plays a key role in influencing tax avoidance actions by overseeing company policies and having the authority to prevent financial reporting irregularities. In this way, the audit committee helps ensure that tax avoidance strategies are carried out within legal and ethical boundaries.

H 5 :   The audit committee can moderate the effect of capital intensity on tax avoidance.

The Audit Committee Moderates the Effect of Financial Distress on Tax Avoidance

Research conducted by Amni & Pratama (2023) suggests that the audit committee moderates the effect of financial distress on tax avoidance. In conditions of financial distress, management may resort to tax avoidance strategies in an attempt to restore the balance between marginal profit (net sales profit) and marginal cost (production costs). The study argues that as the number of audit committee members increases, the likelihood of tax avoidance practices decreases. This is because the audit committee plays a critical role in overseeing the accuracy and transparency of financial reporting, monitoring the internal control systems of the company, and ensuring that audit findings are followed up appropriately.

H 6 :   The audit committee can moderate the effect of financial distress on tax avoidance.

RESEARCH METHODS

This study is categorized as quantitative research aimed at examining the influence of liquidity, capital intensity, and financial distress on tax avoidance, with the audit committee acting as a moderating variable. The analysis will be conducted using EViews version 12 software. Quantitative research is characterized by an objective approach to data collection and analysis, using statistical methods for testing hypotheses. Therefore, this study will collect numerical data, which will then be processed and analyzed to obtain scientific information from the results.

The study also employs a correlation method to compare previous research findings with the current study, highlighting similarities and differences to achieve clear, specific, and accurate research outcomes. Thus, the research will utilize data from all study variables with ratio scale measurements and hypothesis testing using secondary data with panel data analysis. Secondary data is not directly obtained from the research object but will rely on statistical procedures, empirical experience, and interpretation of existing data, along with the relationship between hypotheses and premises to draw conclusions.

Secondary data will be sourced from companies, including financial statements, important documents, books, and articles produced by third parties, all of which are relevant to the study. Numerical data will be collected from annual reports or financial statements available on the official websites of the companies or the Indonesia Stock Exchange (IDX) at https://www.idx.co.id/id.

Thus, based on Table 1, the population used in this study consists of companies that are listed on the Indonesia Stock Exchange (IDX) during the period from 2020 to 2023. The sample for this study will include 27 companies, selected based on various considerations using the purposive sampling method, which is a sample selection based on specific criteria aligned with the study's objectives.

RESEARCH RESULTS AND DISCUSSION

Descriptive Statistical Test

Based on Table 2, it can be seen that N, or the number of data points for each variable, is 108. This number comes from 27 samples over 4 years from this study, specifically the Kompas 100-indexed companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023.

According to Table 2, it can be observed that tax avoidance (CETR) has a minimum value of -1.071600 and a maximum value of -0.297300. These results indicate that the level of tax avoidance among the Kompas 100-indexed companies sampled in this study ranges from -1.071600 to -0.297300, with an average value of -0.631823 and a standard deviation of 0.148417. The highest tax avoidance occurred at PT Charoen Pokphand Indonesia Tbk (CPIN) with a value of -0.297300 in 2023, while the lowest tax avoidance occurred at PT PP London Sumatra Indonesia Tbk (LSIP) with a value of -1.071600 in 2020.

Based on Table 2, it can also be seen that liquidity (CR) has a minimum value of -0.739500 and a maximum value of 0.978900. These results show that the liquidity of the Kompas 100-indexed companies sampled in this study ranges from -0.739500 to 0.978900, with an average value of 0.242044 and a standard deviation of 0.343001. The highest liquidity occurred at PT PP London Sumatra Indonesia Tbk (LSIP) with a value of 0.978900 in 2023, while the lowest liquidity occurred at PT Sarana Menara Nusantara Tbk (TOWR) with a value of -0.739500 in 2023.

According to Table 2, it can be observed that capital intensity (CI) has a minimum value of -1.811700 and a maximum value of -0.024900. These results indicate that the capital intensity of the Kompas 100-indexed companies sampled in this study ranges from -1.811700 to -0.024900, with an average value of -0.550281 and a standard deviation of 0.599211. The highest capital intensity occurred at PT Sarana Menara Nusantara Tbk (TOWR) with a value of -0.024900 in 2022, while the lowest capital intensity occurred at Bank Tabungan Negara (Persero) Tbk (BBTN) with a value of -1.811700 in 2021.

According to Table 2, it can be seen that financial distress (Z) has a minimum value of -0.647400 and a maximum value of 0.900300. These results show that the financial distress of the Kompas 100-indexed companies sampled in this study ranges from -0.647400 to 0.900300, with an average value of 0.298854 and a standard deviation of 0.405824. The highest financial distress occurred at PT PP London Sumatra Indonesia Tbk (LSIP) with a value of 0.900300, while the lowest financial distress occurred at PT Tower Bersama Infrastructure Tbk (TBIG) with a value of -0.647400 in 2020.

Based on Table 2, it can be seen that the audit committee (AC) has a minimum value of 3 members or 0.477100 and a maximum value of 8 members or 0.903100. These results show that the audit committee size of the Kompas 100-indexed companies sampled in this study ranges from 3 members or 0.477100 to 8 members or 0.903100, with an average value of 0.548867 and a standard deviation of 0.125445. On average, companies have 3 members or 0.477100 in their audit committees, in accordance with the regulation that requires the audit committee to consist of at least 3 members, including independent commissioners and external parties from public companies or issuers (IDX, 2020). However, the largest audit committee was found at Bank Rakyat Indonesia (Persero) Tbk in 2020 and 2021.

Panel Data Regression Model Test

Chow Test

Based on Table 3, the cross-section chi-square statistic value is 62.213439 with a probability value of 0.0001. This means that the probability value is less than 0.05 (P-value = 0.0001 < 0.05), which leads to the acceptance of the alternative hypothesis (H_1) and the rejection of the null hypothesis (H_0). Therefore, in this Chow test, the best model to use is the model employing the Fixed Effects Model (FEM). Since the Chow test rejects the null hypothesis, indicating that the coefficients across groups are significantly different, the analysis proceeds to the next step: the Hausman Test.

Hausman Test

Based on Table 4, the chi-square statistic value is 1.568223 with a probability value of 0.6666. This means that the probability value is greater than 0.05 (P-value = 0.6666 > 0.05), so

the alternative hypothesis (H_1) is rejected and the null hypothesis (H_0) is accepted. Therefore, based on the Hausman test, the best model to use is the model employing the Random Effects Model (REM). Since the Hausman test accepts the null hypothesis, indicating that there is no significant difference between the Fixed Effects Model and the Random Effects Model, the analysis proceeds to the next step: the Lagrange Multiplier (LM) test.

Lagrange Multiplier Test

       Based on Table 5, the cross-section Breusch-Pagan statistic value is 8.970562 with a probability value of 0.0027. This means that the probability value is less than 0.05 (P-value = 0.0027 < 0.05), so the alternative hypothesis (H_1) is accepted and the null hypothesis (H_0) is rejected. Therefore, based on the Lagrange Multiplier test, the best model to use is the model employing the Random Effects Model (REM).

Classical Assumption Test

Normality Test

       Based on Figure 1, it can be observed that the probability value is 0.997722, which is greater than the predetermined significance level of 0.05 (0.997722 > 0.05). Therefore, it can be concluded that the data is normally distributed.

Multicollinearity Test

       Based on Table 6, the correlation between CR and CI is -0.011300, the correlation between CR and Z is 0.692617, and the correlation between CI and Z is 0.518052. Since all correlation values are less than 0.80 (< 0.80), it can be concluded that there is no multicollinearity problem.

Heteroscedasticity Test

       Based on Table 7, the results of the heteroscedasticity test using the Glejser test indicate no heteroscedasticity. This is because the probability values of the independent variables specifically, Liquidity (CR) at 0.1057, Capital Intensity (CI) at 0.1867, and Financial Distress (Z) at 0.5583 are all greater than 0.05, indicating the absence of heteroscedasticity. Therefore, H_0 is accepted, and H_1 is rejected. Nonetheless, the Random Effects Model (REM) has the advantage of mitigating heteroscedasticity issues if they arise.

Autocorrelation Test

       Autocorrelation testing by looking for DU and DL values which can be seen in the table of Durbin-Watson Stat values. Where it is known that the number of samples or N is 104 samples with 3 independent variables which can be seen in the table above, the Durbin-Watson Stat value in weighted statistics is 1.455655 and the Durbin-Watson Stat in unweighted statistics is 1.075518 which produces a Durbin-Watson Stat number of 2.531173 . So, based on the Durbin Watson reference table with a = 5%, N = 108, and 3 variables (k) the DU and DL results are as follows:

       DL value = 1.6297
       4-DL value = 2.3703
       DU value = 1.7437
       4-DU value = 2.2563
       DW value = 2.5312
       Based on table 8, there are several hypotheses to be able to test autocorrelation:
       H0 = 2.5312 < 1.6297 or 2.5312 > 2.3703, autocorrelation occurs
       H1 = 1.7437 < 2.5312 < 2.2563, no autocorrelation occurs
       H2 = 1.6297 < 2.5312 < 1.7437 or 2.2563 < 2.5312 < 2.3703, no decision
       So, from the test results it can be seen that H0 is accepted with DW > 4-DL, namely 2.5312 > 2.3703 which indicates autocorrelation.

Panel Data Regression Model Test

Moderation Regression Test
The Influence of Liquidity on Tax Avoidance

       Based on the test results in Table 9, the Liquidity variable (CR) shows a significance probability value of 0.6443, which means the value is greater than a (> 0.05) with a positive coefficient value of 136.0019, and a negative t-Statistic value of -0.463146. Therefore, it can be

concluded that the Liquidity variable (CR) as X1 does not significantly influence tax avoidance as the Y variable. Thus, the first hypothesis (H1) is rejected.

The results of this study are consistent with previous research by Syarifah Muthmainah and Hermanto (2023), which states that there is no significant influence between liquidity and tax avoidance. This is because a company with high liquidity demonstrates its ability to pay off its debts on time, indicated by a higher current asset level than its current liabilities. These findings also align with research by Damsut and Shanti (2023), Theresia and Salikim (2023), and Rahman and Mappadang (2024).

The Theory of Planned Behavior also suggests that higher liquidity indicates the company's ability to meet its short-term obligations (Monika & Noviari, 2021). This study's results are also inconsistent with agency theory, where management tends to maximize the company's profit by maintaining cash flows and liquidity.

The Influence of Capital Intensity on Tax Avoidance

Based on the test results in Table 9, the Capital Intensity (CI) variable has a significance probability value of 0.7254, which is greater than a (> 0.05), with a negative coefficient value of -94.36501 and a negative t-Statistic value of -0.352300. Therefore, it can be concluded that the Capital Intensity variable (CI) as X2 has a positive but insignificant effect on tax avoidance as the Y variable. Thus, the second hypothesis (H2) is rejected.

This study's findings are consistent with research by Indira Julianty, I Gusti Jetut Agung Ulupui, and Hanifah Nasution (2023), which states there is no influence between capital intensity and tax avoidance. This is because tax avoidance is not influenced by the level of capital intensity in a company. Similar findings are found in studies by Indira Julianty, Gusti Ketut Agung Ulupui, and Hafifah Nasution (2023), as well as Christin Maria Monika and Naniek Noviari (2021).

The Theory of Planned Behavior also states that high investment in fixed assets is aimed solely at operational interests and does not influence the tendency to engage in tax avoidance, meaning that high fixed assets will enhance the company's operations, leading to an increase in net profit compared to depreciation expenses (Monika & Noviari, 2021). This result also conflicts with agency theory, where higher depreciation of fixed assets leads to lower tax obligations. Management may aim for high profits with low tax burdens through capital intensity (Dwiyanti & Jati, 2019).

The Influence of Financial Distress on Tax Avoidance

According to the test results in Table 9, the Financial Distress (Z) variable has a significance probability value of 0.0388, which is smaller than a (< 0.05), with a negative coefficient of -678.3403 and a negative t-Statistic value of -2.093592. Thus, it can be concluded that the Financial Distress variable (Z) as X3 has a significant negative effect on tax avoidance as the Y variable. Therefore, the third hypothesis (H3) is accepted.

This result aligns with previous research by Annisa Rianti Utami and Dwi Nastiti Danarsari (2023), which found that financial distress has a significant negative impact on tax avoidance. This is because companies tend to avoid taxes as a way to recover from financial distress, which can damage the company's image, increase risk, and make it more difficult to secure loans. This finding also supports studies by Nida Fadhila and Sari Andayani (2022), Gian Anugerah, Eva Herianti, and Sabaruddin (2022), and Teuku Andre Ravanelly and Mulyadi Noto Soetardjo (2023).

This result also aligns with agency theory, where management, acting as agents, seeks to minimize tax burdens for the company's continuity by adopting tax-efficient policies (Ravanelly & Soetardjo, 2023). The Theory of Planned Behavior also suggests that when a company is in financial distress, management may act to prevent damage to the company's image, which may lead to increased debt due to negative signals to investors and creditors (Monika & Noviari, 2021).

The Influence of Liquidity on Tax Avoidance with Audit Committee as a Moderating Variable

Based on the test results in Table 9, the interaction between the Liquidity (CR) and Audit Committee (AC) variables shows a significance probability value of 0.6438, which is greater than a (> 0.05), with a negative coefficient value of -136.1873 and a negative t-Statistic value

of -0.463769. Therefore, it can be concluded that the Audit Committee (AC) as a moderating variable does not strengthen the effect of liquidity (CR) as X1 on tax avoidance as the Y variable. Thus, the fourth hypothesis (H4) is rejected.

This finding is inconsistent with agency theory, which suggests that the audit committee should oversee management to prevent any deviations or fraud. Similarly, it does not align with the Theory of Planned Behavior, which posits that companies will adopt policies to avoid tax avoidance practices to prevent a negative corporate image (Monika & Noviari, 2021).

The Influence of Capital Intensity on Tax Avoidance with Audit Committee as a Moderating Variable

Based on the test results in Table 9, the interaction between Capital Intensity (CI) and the Audit Committee (AC) variables has a significance probability value of 0.7253, which is greater than a (> 0.05), with a positive coefficient value of 94.39323 and a positive t-Statistic value of 0.352400. Therefore, it can be concluded that the Audit Committee (AC) as a moderating variable does not strengthen the effect of Capital Intensity (CI) as X2 on tax avoidance as the Y variable. Thus, the fifth hypothesis (H5) is rejected.

The audit committee, as part of management, has the authority to prevent deviations related to financial reports. This finding is consistent with the theory that a larger audit committee proportion can hinder tax avoidance practices in the company.

This result also contradicts agency theory, where a larger audit committee improves oversight, minimizing conflicts of interest related to tax avoidance (Hilmi et al., 2022). Similarly, it does not align with the Theory of Planned Behavior, which suggests companies will avoid tax avoidance to prevent a negative corporate image (Monika & Noviari, 2021).

The Influence of Financial Distress on Tax Avoidance with Audit Committee as a Moderating Variable

Based on the test results in Table 9, the interaction between Financial Distress (Z) and Audit Committee (AC) variables shows a significance probability value of 0.0388, which is smaller than a (< 0.05), with a positive coefficient of 678.3438 and a positive t-Statistic value of 2.093609. Therefore, it can be concluded that the Audit Committee (AC) as a moderating variable strengthens the effect of Financial Distress (Z) as X3 on tax avoidance as the Y variable. Thus, the sixth hypothesis (H6) is accepted.

This result aligns with research by Abda Millatul Amni and Abdul Aziz Nugraha Pratama (2023), which found that financial distress can be moderated by the audit committee, having a positive significant effect on tax avoidance. This is because financial distress allows management to engage in tax avoidance to restore the company's balance, but a larger audit committee reduces the possibility of tax avoidance, ensuring accurate, transparent financial reports and effective internal oversight.

This finding also supports agency theory, where a large audit committee improves oversight and minimizes conflicts of interest related to tax avoidance (Hilmi et al., 2022). Similarly, it aligns with the Theory of Planned Behavior, where companies adopt policies to avoid tax avoidance to protect their corporate image (Monika & Noviari, 2021).

CONCLUSION

This study aims to examine the effect of liquidity, capital intensity, and financial distress on tax avoidance with the audit committee as a moderating variable, using companies listed in the Kompas100 index that have been registered on the Indonesia Stock Exchange (IDX) during the period 2020-2023. The analysis was conducted using the Moderate Analysis Regression (MRA) model, with assistance from the EViews version 12 data processing software. The results of the study can be summarized as follows:

1. Liquidity does not significantly affect tax avoidance.
2. Capital intensity does not significantly affect tax avoidance.
3. Financial distress has a significant negative effect on tax avoidance.
4. The audit committee does not moderate the effect of liquidity on tax avoidance.

5. The audit committee does not moderate the effect of capital intensity on tax avoidance.
6. The audit committee is able to moderate the effect of financial distress on tax avoidance.

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