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The Effect of Thin Capitalization, Capital Intensity on Tax Avoidance with The Use of Tax Havens Country as a Moderating Variable

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ABSTRACT

This study aims to evaluate the effect of thin capitalization and capital intensity on tax avoidance, with the use of tax havens as a moderating variable. The approach used is a quantitative approach, with the object of research in the form of companies in the energy sector listed on the Indonesia Stock Exchange during the period 2019 to 2023. The sampling technique was purposive and resulted in 80 companies as samples. Data analysis was carried out using the variant-based Partial Least Square method (PLS-SEM) with the help of SmartPLS software. The results showed that thin capitalization has no significant effect on tax avoidance. In contrast, capital intensity shows a significant positive influence on tax avoidance. Further research also found that tax havens are unable to moderate the relationship between thin capitalization and tax avoidance, but can strengthen the effect of capital intensity on tax avoidance.

Keywords: Thin Capitalization, Capital Intensity, Tax Avoidance, Tax Havens, Indonesia

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh kapitalisasi tipis dan intensitas modal terhadap praktik penghindaran pajak, dengan mempertimbangkan peran negara suaka pajak sebagai variabel moderasi. Metode yang digunakan dalam penelitian ini adalah pendekatan kuantitatif, dengan populasi berupa perusahaan sektor energi yang tercatat di Bursa Efek Indonesia selama periode 2019 hingga 2023. Teknik pengambilan sampel dilakukan secara purposive, sehingga diperoleh 80 perusahaan sebagai sampel penelitian. Analisis data dilakukan dengan menggunakan metode Partial Least Square berbasis varian (PLS-SEM), melalui perangkat lunak SmartPLS. Hasil penelitian menunjukkan bahwa kapitalisasi tipis tidak memiliki pengaruh signifikan terhadap penghindaran pajak. Sebaliknya, intensitas modal terbukti berpengaruh positif dan signifikan terhadap penghindaran pajak. Selanjutnya, hasil analisis moderasi mengindikasikan bahwa negara suaka pajak tidak mampu memoderasi hubungan antara kapitalisasi tipis dan penghindaran pajak, namun mampu memperkuat pengaruh intensitas modal terhadap penghindaran pajak.

Kata Kunci: *Kapitalisasi Tipis, Intensitas Modal, Penghindaran Pajak, Negara Suaka Pajak, Indonesia*

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INTRODUCTION

The effect of globalization has resulted in an increasing number of multinational companies around the world doing business, to meet their needs for goods and services. This increase gradually increases the profits of multinational companies. Therefore, multinational companies make various efforts to optimize the profits they generate in order to meet their tax obligations. They try to pay as little tax as possible. Taxes play an important role in the development of a country, because its main function is to support state revenue (budget). The state uses taxes to fund the Provincial Budget (APBN). Because the role of taxes is important in achieving sales targets (Utami et al., 2022).

Taxes have an important role in influencing various aspects of business decisions, such as foreign investment, financial structure, cost of capital, foreign exchange management, working capital management, and financial decision making. Legal tax avoidance is an action that does not involve falsifying data or information (Rusdiyanti et al., 2024). Based on the CNBC Indonesia report, tax revenue by the Directorate General of Taxes (DGT) in 2019 decreased by IDR 245.5 trillion compared to the previous year which reached IDR 1,332.1 trillion, and also did not reach the 2019 target set at IDR 1,577.6 trillion. This decline was caused by pressure from global economic conditions that weakened economic activity, which also had an impact on the decline in revenue from Value Added Tax (VAT). Other contributing factors include slowing global economic growth, declining revenue from the oil and gas sector, as well as from the non-oil and gas tax sector.

Table 1: Tax Revenue

Pos	**2019**	
	Value (Rp Trillions)	**Target (%)**
Non-Oil and Gas Income Tax	711.20	85.90
Oil and Gas Income Tax	59.10	89.30
VAT & Luxury Goods Sales Tax	532.90	81.30
Property tax & Other Tax	28.90	104.20
Total	1,332.10	84.30

Reported by CNBC Indonesia (2019), the 2020 Draft State Budget (RAPBN) increased along with the increase in the tax revenue target. Where the NPWP registered with the DGT, 38.7 million are WP OP. The remaining 3.3 million WP Badan. According Ambarwati & Nurhayati (2024) said that the realization of state revenue reached 2,774.3 trillion, exceeding the 2023 State Budget (APBN) target of 112.6% or 105.2% of Perpres 75/2023, or growing 5.3% from the 2022 realization. Government revenue decreased every month in 2020. January-March 2020 only amounted to IDR 241.61 trillion, only 14.71% of IDR 1,642.57 trillion or a decrease of 5%. April 2020 still experienced a decline of 3.1% from the same period in 2019. Realization of IDR 376.7 trillion or 30% of the 2020 State Budget target has been revised to IDR 1,254.1 trillion (CNBC Indonesia, 2021).

Table 2. Factors contributing to the decline in tax revenue

No.	**Notes**
1.	Social restriction policies during the Covid-19 pandemic have resulted in a decline in state revenue from the tax sector.
2.	The decline in economic activity and the use of tax incentives is reflected in a negative decline in tax revenue growth.
3.	A decrease was seen in tax payments from the main sectors of the economy as a result of the fall in prices of goods.
4.	The Covid-19 fiscal incentives within the National Economic Recovery (PEN) program, which are beginning to be utilized, and the accelerated tax restitution, also contributed to the low tax revenue in the first semester of 2020.

According to the Tax Justice Network report, Indonesia experienced a potential loss of tax revenue of IDR 68.7 trillion, most of which - IDR 67.6 trillion - was caused by tax evasion by corporate taxpayers. Meanwhile, individual taxpayers accounted for a loss of around IDR 1.1 trillion. Multinational companies are suspected of shifting their profits to countries with low tax rates or known as tax havens. Tax avoidance practices are also carried out by individuals from the middle to upper class, who hide assets and income abroad to avoid tax obligations in Indonesia. From the total tax revenue realization of IDR 1,332 trillion in 2019, it was noted that tax avoidance practices contributed around 5.16 percent of the revenue target of IDR 1,198.82 trillion. Nevertheless, this tax avoidance action cannot be justified, especially in the midst of a global situation that is struggling against the Covid-19 pandemic (Pajakku.com, 2020).

Tax evasion practices in Indonesia's mining sector were reflected in a case involving PT Kaltim Prima Coal (KPC) in 2019. The company allegedly evaded tax obligations by first selling coal to PT Indocoal Resource Limited-a subsidiary of PT Bumi Resources Tbk. located in the Cayman Islands-before the coal was sold to foreign parties. The selling price to Indocoal is much lower, which is only about half of the market price if KPC sells directly to end buyers. This strategy caused KPC's sales revenue to be recorded lower, which had an impact on the reduced tax burden to be paid, even allegedly less than the proper amount. In 2020, tax revenue in six main sectors recorded a decline. First, the processing industry recorded a decrease of 20.21% compared to the previous year. Next, the commercial sector recorded a decrease of 18.94% compared to the previous year. Third, finance and insurance experienced a decline of 14.31% year-on-year. Fourth, construction and real estate recorded a decline of 22.56% compared to the previous year. Fifth, transportation and warehousing experienced a decline of 15.41% year-on-year. Sixth, the mining sector was the worst with a decline of up to 43% per year.

A 2019 report by the Tax Justice Network found evidence of tax evasion from British American Tobacco (BAT). Apart from the Netherlands, PT Bantoel diverted its profits to the UK for royalties, fees and services. It is known that Rothmaris Far East BV provided financing to BAT subsidiaries for cigarette sales in Japan and Korea. In 2013, PT Bantoel facilitated debts of IDR 5.3 trillion or US$434 million and IDR 6.7 trillion (US$549 million) in 2015. So that Indonesia suffered a loss of US $ 11 million per year, which should have received tax on debt interest at a rate of 20% but there was an agreement between Indonesia and the Netherlands so that the rate was 0%. As well as the original loan, namely with the UK, cannot be subject to a 10% rate, because the loan money is through an affiliated company in the Netherlands (CNBC Indonesia, 2019).

This study reveals that tax avoidance practices can be influenced by factors internal and external to the company. The main objective of this study is to analyze the effect of thin capitalization on tax avoidance, as well as the extent to which capital intensity plays a role in the practice. In addition, this study also examines the role of tax havens as a moderating variable in the relationship between thin capitalization and tax avoidance, as well as between capital intensity and tax avoidance. Furthermore, this study seeks to evaluate how thin capitalization and capital intensity impact tax avoidance by considering the utilization of tax havens. The main challenge identified is the company's strategy in reducing tax burden, for example by increasing interest expense through debt or maximizing the use of fixed assets in order to obtain amortization and depreciation benefits to reduce tax liabilities. Therefore, this study contributes to expanding the understanding of the concepts of thin capitalization, capital intensity, and tax havens in the context of the tax system. In addition to explaining the potential problems, this study also discusses possible solutions in their implementation. By adopting perspectives from previous studies in the energy sector and focusing on the practice of using tax havens, this research aims to provide a comprehensive insight into the benefits and challenges of implementing related policies, which in turn can serve as a reference for evaluation in managing and monitoring the use of tax havens more effectively.

LITERATURE REVIEW

Theory of Planned Behavior (TPB) is a grand theory that is considered very relevant to explain various types of behavior (Herispon, 2019). One of the main assumptions in this theory is that individual attitudes play a role in shaping intentions to act. TPB itself is a development of the Theory of Reasoned Action (TRA) introduced by Ajzen and Fishbein. According to Ajzen and Fishbein in Bangun et al. (2023), the development from TRA to TPB was carried out due to the limitations of TRA in explaining behavior that is beyond the full control of individuals. Just like in the TRA, TPB emphasizes the importance of intention as the main determinant of behavior. An individual's belief in the outcome of an action forms an internal evaluation that ultimately influences the intention to act. In the context of this study, attitude is defined as the emotional response or perception of taxpayers - both in favor and against - towards the intention to commit tax violations.

According to Jensen and Meckling (1976) agency theory explains the contractual relationship between the principal and the agent, where the principal appoints the agent to manage the organization on his behalf, while giving the agent the authority to make decisions that are considered the most profitable for the company. According to Muslim et al. (2023) Modern organizations use the application of this agency theory. Agency theory emphasizes the interests of principals (shareholders) in delegating management responsibilities to a group referred to as agents (management), who are seen by principals as having a better understanding of how the company is actually managed on a daily basis. Conflicts between principals and agents generate costs for business operations that, if handled by the owners themselves, should not occur, especially agency costs (Anggraeni & Oktaviani, 2021). The combination of planned and agency theories is often used to explain corporate behavior in the context of taxation, because both help analyze internal factors, namely the relationship between principals and agents, as well as external factors, namely social norms and regulatory controls that can influence tax avoidance decisions. The state's income comes from its people through taxation and or the results of natural resources in the state for public activities which ultimately also include the personal interests of individuals such as public health, education, welfare and others without getting direct rewards (Joko & Santioso, 2024). Meanwhile, in the context of Law Number 28 Year 2007 Article 1 Number 2, “individuals or entities” include taxpayers, tax deductors, and tax collectors, who are subject to taxation rights and obligations in accordance with the provisions of tax laws and regulations.

Thin Capitalization on Tax Avoidance

Efforts are made both in the legal and illegal realms to reduce the value of taxes to be paid by utilizing loopholes in existing tax regulations (Cesyarina & Sumantri, 2024). Tax avoidance only utilizes the weaknesses of the applicable rules, such as the absence of rules for a transaction or scheme (Rifai & Atiningsih, 2019). Thin capitalization was chosen as one of the independent variables. Because there are differences with the results of other studies. Research conducted by Sueb (2020) shows that thin capitalization has an influence on tax avoidance practices. Similar results were also found in previous studies by Widodo & Wulandari (2020), Olivia & Dwimulyani (2019), Falbo & Firmansyah (2018), and Jumailah (2020), which state that thin capitalization affects tax avoidance. However, according to Dewi et al. (2023), when the level of thin capitalization is low, the interest expense that must be paid by the company also decreases, so that the company's profit increases while the taxable income remains, which ultimately limits the company's ability to avoid taxes. Therefore, our first hypothesis will be:

H1: Thin Capitalization has a positive influence on Tax Avoidance.

Capital Intensity on Tax Avoidance.

Capital intensity measures the amount of investment in fixed assets and has the potential to influence tax avoidance practices. This variable was chosen because of the differences in findings with previous studies. The study conducted by Muslim et al. (2023) shows that capital intensity affects tax avoidance. High capital intensity ratios are usually associated with lower tax rates, and these low tax rates are often associated with tax avoidance practices by companies (Rahmawati & Jaeni, 2020). Research by Dwiyanti et al. (2019) also found that capital intensity has a significant effect on tax avoidance. Depreciation expense from fixed assets can be used as a deduction from profit before tax, thereby reducing the tax burden that the company must pay. This is one of the strategies used by companies in reducing their tax obligations. Therefore, our second hypothesis will be:
H2: Capital Intensity has a negative influence on Tax Avoidance.

The use of Tax Havens Country able to moderate the relationship between Thin Capitalization and Tax Avoidance.

The utilization of tax havens provides various benefits for both companies and countries with tax haven status. Basically, small countries with limited natural resources face limitations in resource management, so the revenue earned is insufficient to run the government, so they need additional sources of funding (Nugraha et al., 2019). Subsidiaries located in tax havens are not always used only for illegal tax avoidance purposes, but can also help improve the company's after-tax cash flow. Countries that adopt tax haven policies usually offer very low or even zero percent tax rates, so many multinational companies choose to establish subsidiaries in these countries (Jamilah et al., 2024). Therefore, tax havens play an important role in the reduction of corporate tax burden, although this practice requires close supervision from tax authorities at both national and international levels (Salwah & Herianti, 2019). In addition, companies operating in tax havens tend to utilize debt-based financing structures and have high operating costs. Therefore, our third and fourth hypothesis will be:
H3: The use of Tax Havens Country able to moderate the relationship between Thin Capitalization and Tax Avoidance.
H4: The use of Tax Havens Country able to moderate the relationship between Capital Intensity with Tax Avoidance.

Based on the existing literature review, it can be concluded that thin capitalization has a positive and significant influence on tax avoidance through an increase in debt in the capital structure which aims to reduce the tax burden. In addition, the allocation of large amounts of fixed assets is also used to obtain tax benefits. This shows that the use of tax havens has the potential to moderate the relationship between thin capitalization and capital intensity on tax avoidance. This research is interesting to conduct in order to understand the contribution of these factors to the level of tax avoidance. Based on the literature review, Figure 3 explains the relationship between variables as follows:

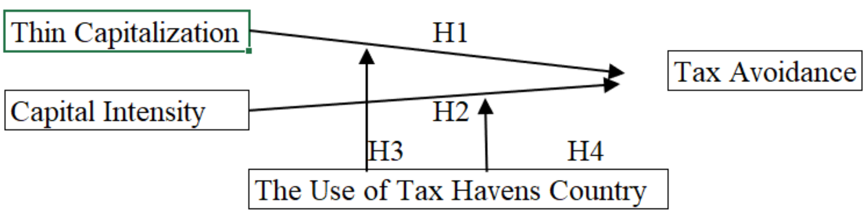

Figure 1: Schematic of the Research Conceptual Framework

Source: Author Elaboration, 2025

METHODS

This study uses a quantitative approach to examine tax avoidance practices. The population in focus is multinational companies in the energy sector listed on the Indonesia Stock Exchange during the period 2019 to 2023. The energy sector was chosen because it has distinctive characteristics that are relevant for analysis, such as high capital intensity and large investments in fixed assets, where depreciation and amortization of these assets are often used to reduce the tax burden. Dependence on debt is measured through debt interest expense, given that companies in this sector tend to have high debt levels, large operating costs, significant initial investment, and long-term debt. In terms of tax haven utilization, multinational companies often shift profits to tax haven countries through transfer pricing practices, intra-group debt structures, and the use of overseas subsidiaries. Companies in the energy sector are also major contributors to national tax revenue. In addition, the availability of data that is relatively easy to access because these companies have gone public, as well as the relevance of the research to government regulations and policies, make this sector very suitable to be the object of study. This research also considers potential risks related to ethics and corporate reputation.

A sample of 80 financial statement data was selected using purposive sampling (Sugiyono, 2022). The sample criteria are energy sector companies that have been listed on the Indonesia Stock Exchange for the period (2019-2023), companies that have an IPO year after 2019, companies that have posted finances for five consecutive years in the study period, companies with financial statements using currency units only US dollars, companies that experienced profits during the study period 2019-2023, companies that paid taxes during the study period 2019-2023. This research was conducted from July to December 2024, a period sufficient to collect representative data and examine potential changes over time. The main instruments of this research are documentation, literature study and internet searching using ratio and nominal scales for dummy variables. This research is designed to cover important aspects relating to thin capitalization, capital intensity, tax avoidance and tax havens country utilization (See Table 3).

Table 3: Distribution of Operational Variables

Variabel	Indicator	
X1 (*Thin Capitalization*)	X1.1	Total Liabilities
	X2.2	Equity
X2 (*Capital Intensity*)	X2.1	Total Fixed Assets
	X2.2	Total Assets
Y1 (Tax Avoidance)	Y1.1	Tax Payment
	Y1.2	Profit Before Tax
M1 (*Tax Havens Country*)	M1.1	1; Has company in tax havens country
	M1.2	0; Has no company in tex havens country

Source: Author Elaboration, 2025

Financial data was obtained from the IDX. The analysis was carried out using a variant-based Structural Equation Modeling/SEM method known as Partial Least Square-Structural Equation Modeling/PLS-SEM. Where the processing is done with SmartPLS Version 3.0 software. This method will be used to evaluate the relationship between research variables, so as to obtain a deeper understanding of the impact of thin capitalization, capital intensity on tax avoidance with the use of tax havens country as a moderating variable.

RESULT AND DISCUSSION

Table 2 presents Debt to Equity Ratio (DER) is a measure that describes the ratio between debt and capital. This ratio is calculated by comparing total debt, including short-term debt, to total capital held. Thus, DER is an important tool to understand the extent of financial resources provided by lenders and business owners in the business.

Table 4: Variable Calculation Results *Thin Capitalization – Debt to Equity Ratio* (DER)

Year	2019	2020	2021	2022	2023
ADRO	0.811	0.614	0.701	0.651	0.413
BSSR	0.471	0.383	0.723	0.836	0.684
BYAN	1.064	0.880	0.306	0.977	0.740
ENRG	5.402	2.980	1.369	1.319	1.339
GEMS	1.178	1.328	1.620	1.022	0.978
HRUM	0.118	0.096	0.342	0.288	0.390
ITMG	0.366	0.369	0.386	0.353	0.223
MBAP	0.321	0.316	0.288	0.224	0.328
MYOH	0.309	0.170	0.166	0.140	0.415
PSSI	0.616	0.553	0.406	0.229	0.209
PTIS	1.173	1.124	1.191	1.132	0.827
PTRO	1.592	1.288	1.047	1.001	2.089
RAJA	0.470	0.352	0.962	0.957	1.126
SHIP	1.097	1.183	1.157	1.202	1.210
SOCI	1.051	0.827	0.712	0.694	0.579
TOBA	1.402	1.653	1.422	1.122	1.237

The highest DER value is 5.4029 (PT. Energi Mega Persada, Tbk. - ENRG) and the lowest DER value is 1.661 (PT. Samindo Resources, Tbk. - MYOH), the average value for DER is recorded at 0.834, with a value close to the average value is 0.880 recorded by (PT. Bayan Resources Tbk. - BYAN).

Table 5: Variable Calculation Results *Capital Intensity – Capital Intensity Rasio (CAPIN)*

Year	2019	2020	2021	2022	2023
ADRO	0.707	0.728	0.625	0.506	0.589
BSSR	0.690	0.635	0.375	0.473	0.481
BYAN	0.665	0.468	0.417	0.257	0.448
ENRG	0.792	0.842	0.846	0.849	0.822
GEMS	0.528	0.498	0.476	0.358	0.358
HRUM	0.354	0.499	0.716	0.593	0.735
ITMG	0.611	0.637	0.407	0.277	0.415
MBAP	0.313	0.309	0.186	0.144	0.176
MYOH	0.288	0.234	0.180	0.172	0.395
PSSI	0.823	0.798	0.685	0.671	0.536
PTIS	0.852	0.807	0.776	0.773	0.704
PTRO	0.597	0.580	0.564	0.568	0.566
RAJA	0.607	0.630	0.735	0.775	0.754
SHIP	0.857	0.839	0.850	0.854	0.846
SOCI	0.838	0.836	0.834	0.859	0.876
TOBA	0.866	0.908	0.756	0.709	0.749

The highest CAPIN value is 0.908 (PT. TBS Energi Utama, Tbk. - TOBA) and the lowest CAPIN value is 0.008, a value close to the minimum value of 0.144 (PT. Mitrabara Adiperdana, Tbk, - MBAP), the mean value for CAPIN is 0.533, a value close to the average value is 0.5363(PT. IMC Pelita Logistik, Tbk. - PSSI).

Table 6: Variable Calculation Results *Tax Avoidance - Cash Effective Tax Rate (CETR)*

Year	2019	2020	2021	2022	2023
ADRO	0.465	0.811	0.201	0.189	0.666
BSSR	0.605	0.173	0.090	0.319	0.327
BYAN	0.682	0.141	0.073	0.200	0.519
ENRG	0.520	0.567	0.811	0.467	0.416
GEMS	0.420	0.167	0.108	0.172	0.398
HRUM	0.573	0.059	0.067	0.058	0.531
ITMG	0.000	0.000	0.000	0.000	0.000
MBAP	0.212	0.065	0.148	0.251	0.691
MYOH	0.292	0.229	0.198	0.396	0.208
PSSI	0.251	0.235	0.061	0.067	0.103
PTIS	0.185	21.170	1.168	0.000	0.514
PTRO	0.318	0.424	0.164	0.373	0.952
RAJA	0.552	0.357	0.565	0.208	0.290
SHIP	0.190	0.154	0.177	0.108	0.191
SOCI	0.1432	0.0724	0.0954	0.0532	0.0029
TOBA	0.2798	0.1471	0.0594	0.1097	0.7862

The highest CETR value is 21.170 (PT. Indo Straits, Tbk - PTIS) and the lowest CETR value is 0.000 (PT. Indo Tambang Raya Megah, Tbk - ITMG), the mean CETR value is 0.508 the value that is close to the average value is 0.514 (PT. Indo Straits, Tbk. - RAJA).

Table 7: Variable Calculation Results *Tax Havens Country – Variabel Dummy*

Year	2019	2020	2021	2022	2023
ADRO	0	0	0	0	0
BSSR	0	0	0	0	0
BYAN	1	1	1	1	1
ENRG	1	1	1	1	1
GEMS	1	1	1	1	1
HRUM	1	1	1	1	1
ITMG	0	0	0	0	0
MBAP	0	0	0	0	0
MYOH	0	0	0	0	0
PSSI	0	0	0	1	1
PTIS	1	1	1	1	1
PTRO	1	1	1	1	1
RAJA	0	0	0	0	0
SHIP	0	0	0	0	0
SOCI	1	1	1	1	1
TOBA	1	1	1	1	1

From the table above, it is very clear that the transparency carried out by BYAN, ENRG, GEMS, HRUM, PSSI, PTIS, PTRO, SOCI and TOBA where the company has disclosed information about at least one subsidiary or business branch incorporated in a tax haven, this is also in line with the OECD.

This study evaluates the reliability of the internal model by applying the convergent validity test. Convergent validity was assessed using the Average Variance Extracted (AVE) value, with a minimum threshold of 0.5. In addition, the reliability of the model was verified by examining the Composite Reliability value, which must exceed 0.7 to confirm the robustness of the model (Hair, 2022).

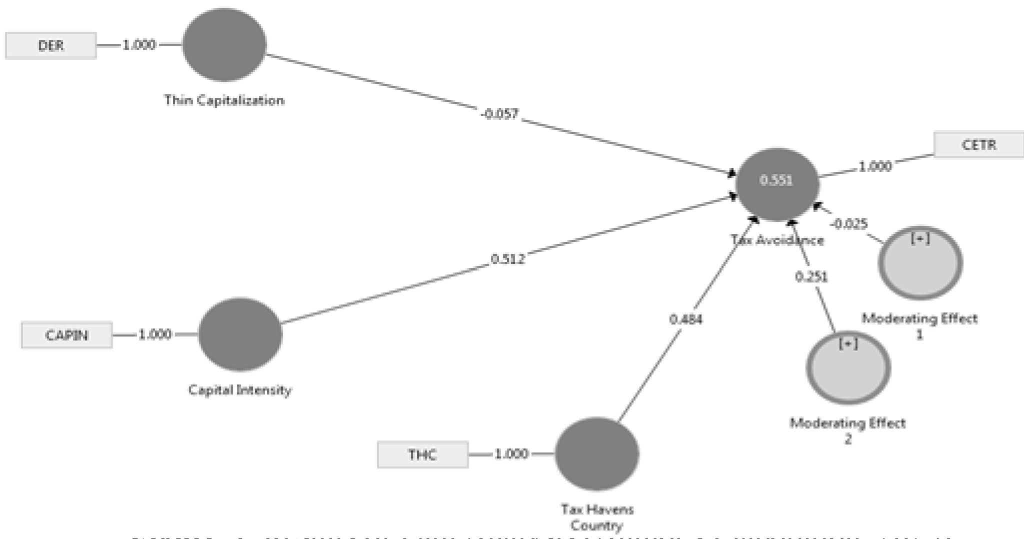

Figure 5: Results of Path Analysis (Author's Elaboration, 2025)

Table 8 shows the Average Variance Extracted (AVE) values for all variables, which consistently reached above 0.5. These results indicate that the data collected in the context of this study can be considered valid. Furthermore, the Composite Reliability results show that the value for each variable exceeds the 0.7 limit. Therefore, it can be concluded that this study shows a significant level of data reliability and validity (Hair et al., 2022).

Table 8: Average Variance Extracted (AVE)

Variable	Discriminant Validity	Cronbach's Alpha	Rho_A	Reability Construct	Composite Reliability	Ave	R-Square	Adjusted R Square
X1 (Thin Capitalization)	1.000	1.000	1.000	1.000	1.000	1.000		
X2 (Capital Intensity)	1.000	1.000	1.000	1.000	1.000	1.000		
M1 (Moderating 1)	1.000	1.000	1.000	1.000	1.000	1.000	0.551	0.521
M2 (Moderating 2)	1.000	1.000	1.000	1.000	1.000	1.000		
Y (Tax Avoidance)	1.000	1.000	1.000	1.000	1.000	1.000		

Table 8. above shows that the correlation between variables has a higher value than the indicators of other constructs and vice versa. This indicates that the latent construct predicts the indicators in a block more accurately than the indicators in other blocks. The internal reliability consistency value refers to 3 parameters based on the differences of experts, namely Cronbach Alpha, Composite Reliability and Rho_A value. With the basic rule that the value must be above 0.70 from the table involved that all variables have met these requirements, so the measuring indicators are reliable. The results show that R-Square is close to 1, it can be concluded that the variation in the dependent variable in this study can be explained by the model with an appropriate level of adequacy (Hair et al., 2022) From Figure 7 above, it can be seen that the thin capitalization and capital intensity variables can explain 55.1% of the tax avoidance variable and the rest can be explained by other factors that are not considered in this study.

In the evaluation of the inner model, this research focuses more on hypothesis testing through the bootstrapping method, because it focuses more on testing the relationship between variables, and not on the predictive ability of the model. From the results of hypothesis testing, it can be seen that all hypotheses have three positive betas & two negative betas, and the P Values are 3 below the value of 0.05 and 2 above the value of 0.05, which means that there are three that are significantly supported at the 95% confidence level.

Effect of Thin Capitalization on Tax Avoidance

The thin capitalization coefficient value of -0.057 indicates that thin capitalization has a significant negative effect on tax avoidance. The t-statistic value is 0.268 which is lower than the table 0.268 (table significance 5% = 1.6641. P Values DER has a result of 0.386 above 0.05, meaning that the thin capitalization variable has no significant (negative) effect on tax avoidance in energy sector multinational companies listed on the Indonesia Stock Exchange for the period 2019-2023. This research is in line with research conducted by Pratiwi et al. (2022), Dewi et al. (2023), Rifai & Atiningsih (2019) and Anggraeni & Oktaviani (2021). However, this research contradicts the research of Sueb (2020) and Nadhifah et al., (2020).

Effect of Capital Intensity on Tax Avoidance

The capital intensity coefficient of 0.512 shows that capital intensity has a significant positive effect on tax avoidance. The t-statistic value obtained is 2.212, where the t-statistic is higher than the table 2.212 (table significance 5% = 1.6641. P Values CAPIN has a result of 0.010 below 0.05, meaning that the capital intensity variable has a significant positive effect on tax avoidance in energy sector multinational companies listed on the Indonesia Stock Exchange for the 2019-2023 period. This research is in line with research conducted by Sueb (2020), Rahmawati & Jaeni., (2022) and Dwiyanti et al., (2020). However, this research contradicts the research of Nadhifah et al. (2020) and Rifai & Atiningsih (2019).

Discussion of Tax Havens Country Utilization Moderating Thin Capitalization on Tax Avoidance

The tax havens country coefficient of 0.484 indicates that tax havens country has a significant positive effect on tax avoidance. The t-statistic value of 2.732 indicates that the t-statistic exceeds the table of 2.732 (table at 5% significance level = 1.6641). The moderation coefficient of thin capitalization with tax havens country does not function as a moderating variable. P Values 0.458 above 0.05 means that the use of tax havens countries cannot moderate the relationship between thin capitalization and tax avoidance, or tax havens weaken the thin capitalization variable on tax avoidance in energy sector multinational companies listed on the Indonesia Stock Exchange for the period 2019-2023. This research is in line with the research of Dewi et al., (2023).

Discussion of Tax Havens Country Utilization Moderating Capital Intensity on Tax Avoidance

The moderation coefficient of capital intensity with tax havens country is positive, meaning that tax havens country strengthens the relationship between capital intensity and tax avoidance. P Values 0.037 below 0.05 means that the use of tax havens countries can moderate the relationship between capital intensity and tax avoidance, or the tax haven variable strengthens the capital intensity variable on tax avoidance in energy sector multinational companies listed on the Indonesia Stock Exchange for the period 2019-2023. This research is in line with the research of Widodo & Wulandari (2020).

Table 9: Recapitulation of the Calculation Results of the Structural Model Path Coefficients

	Path	Path Coefficient	t-statistics	R^2	VIF	P Values
Tax Avoidance	*Thin Capitalization* → TA	-0,057	0,289	0,551	1,000	0,386
	Capital Intensity → TA	0,512	2,347		1,000	0,010
	Moderation 1 →TA	-0,025	0,106		1,000	0,458
	Moderation 2 →TA	0,251	1,791		1,000	0,037

Table 9 shows that for the tax avoidance variable, the coefficient of determination (R^2) is recorded at 0.551. This indicates that 55.1% of the tax avoidance variable can be explained by the thin capitalization, capital intensity and tax havens country variables. In the multicollinearity analysis measured by the

Variance Inflation Factor (VIF), it was found that all exogenous variables have VIF values greater than 0.20 and less than 5 (1 > VIF < 5), which indicates there is no multicollinearity among these variables (Hair et. al., 2019). Thus, it can be concluded that the total contribution of the thin capitalization, capital intensity and utilization of tax havens country variables to tax avoidance is 55.1%, while the remaining 44.90% is influenced by other variables not discussed in this study.

This study has several limitations that need to be considered. First, the research sample is limited to multinational companies listed on the Indonesia Stock Exchange. Second, only testing and analyzing 2 (three) independent variables while there are still many other factors that affect tax avoidance. Third, the ability of the independent variables to influence the dependent variable is 55.1 percent while the remaining 44.9 percent is explained by other factors not included in this research model. Therefore, future researchers can add several independent variables that are thought to be able to influence tax avoidance practices, such as leverage, firm value, institutional ownership, and corporate social responsibility. Fourth, the dependent variable, namely tax avoidance, only uses the CETR measurement, so it can only see corporate tax avoidance from one point of view. Fifth, the research time span conducted was only 6 months, and the samples used were only in energy sector companies.

CONCLUSION

The bootstrapping test results show that the thin capitalization variable does not have a significant effect on tax avoidance in energy sector multinational companies listed on the Indonesia Stock Exchange during the 2019-2023 period. This shows that the company's capital structure dominated by debt has no direct impact on tax avoidance strategies in this sector. In contrast, the bootstrapping test results show that the capital intensity variable has a significant positive effect on tax avoidance, which indicates that the higher the capital intensity of the company, the greater the potential for tax avoidance. On the other hand, the use of tax havens country cannot moderate the relationship between thin capitalization and tax avoidance, with test results showing that the use of tax havens does not strengthen or weaken the effect of thin capitalization on tax avoidance. However, the variable utilization of tax havens country can moderate the relationship between capital intensity and tax avoidance, which means that the use of tax havens can strengthen the effect of capital intensity on tax avoidance in energy sector multinational companies listed on the Indonesia Stock Exchange during the period.

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