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The Effect of Capital Structure, Tax Planning and Inflation on Tax Avoidance

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ABSTRACT

This research aims to determine and provide empirical studies capital structure, tax planning and inflation on tax avoidance. Capital structure uses the Debt to Equity Ratio measurement, tax planning uses the Tax Retention Tare (TRR) measurement. Inflation uses the consumer price index and tax avoidance uses the cash effective tax rate. This research is a quantitative research with a research population of industrial companies listed on the Indonesia Stock Exchange for the period 2018-2022. The research population for this company was taken using a purposive sampling method to obtain 13 (thirteen) companies, so the sample obtained was 65 (sixty five) companies. The analysis technique uses Panel Data Regression Model Analysis using the statistical management program Eviews 10. The results of the research show that capital structure has an effect on tax avoidance, tax planning has a negative effect on tax avoidance and inflation has a negative effect on tax avoidance. Based on the results of the hypothesis, it shows that the variables of capital structure, tax planning and inflation simultaneously (simultaneously) have an effect on tax avoidance.

Keywords : capital structure, tax planning, inflation, tax avoidance

INTRODUCTION

Taxes are one of the sources of state revenue, according to data from the Ministry of Finance of the Republic of Indonesia, almost 90% of the state budget revenue is sourced from tax revenue. Law on General Provisions and Taxation Procedures (KUP Law) Number 16 of 2009 article 1 paragraph

(1) states that taxes are mandatory contributions to the state that are owed by individuals or entities that are coercive under the law, do not receive direct rewards and are used for the needs of the state for the greatest possible prosperity of the people. Tax revenues for the state are used in the context of national development and improving people's welfare (Dharma & Noviari, 2017)

The company has a goal to get maximum profit. Efforts that can be made by an entity are to minimize the tax burden within certain limits because taxes are a deduction of the company's profit. If the company's profit increases, the company's tax will also increase. This is the basis for companies to carry out proper tax planning so that companies can pay taxes efficiently. Companies also consider taxes as expenses that will reduce profits company and reduce net profit. That condition causes many companies to try to find ways to reduce the tax costs paid. Therefore, it is possible that companies will be aggressive in taxation (Prameswari, 2017).

Tax avoidance is a tax avoidance strategy and technique that is carried out legally and safely for taxpayers because it does not conflict with tax provisions. According to the existing concept, tax avoidance is not prohibited even though it often gets a bad spotlight because it is considered to have a negative connotation or is considered less nationalistic. Tax avoidance is carried out by means or strategies of tax planning and taking advantage

of loopholes or weaknesses in tax provisions. An example when doing tax avoidance is by accelerating depreciation so that a large depreciation value is obtained. In financial statements, depreciation is one of the components that reduces income or business profit which is used as the basis for tax calculation (Pohan, 2013).

The phenomenon of tax avoidance in Indonesia can be seen from the tax ratio of the Indonesian state. The tax ratio shows the government's ability to collect tax revenue. The higher the tax ratio of a country, the better the country's tax collection performance. Indonesia's state tax ratio in 2018 only reached 10.3 percent (liputan6.com, 2019). This ratio shows that Indonesia's state revenue derived from taxes is not optimal. Another phenomenon of tax evasion in Indonesia is believed to reach Rp.110,000,000,000,000 per year.

Most business entities, around 80 percent, the rest are individual taxpayers. According to the research during the period 2010-2014, the accumulated illicit fund flows from Indonesia to abroad reached Rp. 914,000,000,000,000 (Suara.com, 2017).

The phenomenon of tax avoidance that occurs in the world, namely IKEA. IKEA is a home furniture company from Sweden. IKEA was accused of tax evasion with a value of up to 1,000,000,000 euros or the equivalent of 1,100,000,000 billion US dollars in a period of 6 (six) years from 2009 to 2014. IKEA deliberately moved funds from its stores across Europe to its subsidiaries in the Netherlands with the intention that they would be tax-free in Linhtenstein or Luxembourg. Germany is suspected of losing 35,000,000 euros or 39,000,000 US dollars, 24,000,000 euros or 26,000,000 US dollars in France, and 11,600,000,000 euros or 13,000,000 US dollars in the United Kingdom. A number of countries such as Sweden, Spain and Belgium are predicted to lose tax revenues in the range of 7,500,000 euros to 10,000,000 euros (8,500,000 US dollars to 11,200,000 US dollars (Kompas.com, 2016).

Another phenomenon is that Apple takes advantage of very low tax regulations in Jersey, a small island in the English Channel. Apple establishes a branch company in a tax-exempt jurisdiction to waive profits estimated at $252 billion. This resulted in Europe losing tax revenue of 78 billion US dollars, Africa losing 14 billion dollars and Asia losing 34,000,000,000 dollars due to a tax avoidance scheme made by the company's leadership (Tirto.id, 2017). There are several factors that are suspected to affect the level of tax avoidance, including Capital Structure, Tax Planning and Inflation (Tirto.id, 2017).

The balance capital structure is the amount of short-term debt that is permanent, long-term debt, reserve shares and ordinary shares. The capital structure is permanent financing consisting of long-term debt, reserve shares, and shareholder capital (Dea Rayi Anggita & Hidayati, 2021). Debt to Equity Ratio (DER) is the ratio used to calculate the value of debt to equity.

This ratio is sought by comparing all debt, including current debt, with all equity. This ratio is useful for finding out the amount of funds provided by the borrower (creditor) and the owner of the company. This ratio also serves to find out each rupiah of its own capital that is used as a debt guarantee. Therefore, the lower the DER, the higher the company's ability to pay all its obligations. The larger the proportion of debt used for a company's capital structure, the greater the amount of liabilities (Herdianta & Ardiati, 2020). The DER ratio is also called the leverage ratio. For external security, the best ratio is if the amount of capital is greater than the amount of debt or at least the same. However, for shareholders or management, this leverage ratio should be large (Gunde, Adepu, Rachakonda, & Ch, 2022).

Tax planning (tax planning) is the process of organizing a taxpayer's business whose ultimate goal is to cause tax debts, both income tax and other taxes to be in the minimum position, as long as this is still in the applicable tax regulations. Therefore, tax planning is a legal action as long as it is within the scope of the applicable tax laws. Tax planning for companies can be done with two events, namely tax avoidance and tax evasion. However, in the implementation of tax obligations, it is allowed in the form of the implementation of tax planning that does not deviate from the provisions and regulations of taxation, namely in the form of tax avoidance. Meanwhile, tax violations (tax evasion) are not allowed in taxation, because they violate tax laws and are legal.

Inflation is an increase in prices in general, or inflation can also be said to be a decrease in the purchasing power of money. The higher the price increase, the lower the value of money. The above definition gives meaning that, an increase in the price of certain goods or an increase in price due to a failed harvest, for example, does not include inflation. The most commonly used measure of inflation is: "Consumer price index" or " cost of living index". This index is based on the price of a single package of selected goods and represents consumer spending patterns. (KUNCORO, 1998) is: the tendency of prices to increase in general and continuously. An increase in the price of one or two goods cannot be called inflation, unless the increase extends or results in an increase in other goods. According to (Boediono, 2005) The short definition of inflation is the tendency of prices to rise in general and continuously. An increase in the price of just one or two goods is not called inflation. The condition of a continuous increasing tendency also needs to be underlined. The increase in prices due to, for example, seasonality, ahead of holidays, disasters, and so on, which is only temporary is not called inflation.

Based on the background and previous research that has been disclosed above, the author intends to conduct a research with the title: The Effect Of Capital Structure, Tax Planning And Inflation On Avoidance (Study Empirical on Industrial Sector Companies Listed on the IDX for the 2018-2022 Period).

Research objectives to find out and provide an empirical study on the influence of capital structure, tax planning and inflation have a simultaneous effect on tax avoidance.

RESEARCH METHOD

This study uses quantitative research because the research data in the form of numbers and analysis uses statistics. Quantitative research in looking at the relationship of variables to the object being studied is more causal (causal), so that in the study there are independent and dependent variables. From these variables, it is further sought how much the influence of the independent variable on the dependent variable. Quantitative research is carried out to test existing theories with actual conditions. Based on the type of data and analysis used, this study is included in the research in quantitative research because it refers to the calculation of data in the form of numbers carried out at the Faculty of Economics, University of Pamulang.

This study emphasizes the influence of capital structure on Tax Avoidance (Empirical study on the industrial sector listed on the Indonesia Stock Exchange in 2018-2022) per year. The type of data used in this study is quantitative data which generally has a report history. In this study, data in the form of financial statements from 2016-2021 was obtained from financial statements published via the internet on the www.idx.co.id website. This research was conducted to find answers to the hypotheses that have been made, and was carried out by careful and systematic calculation.

The research was carried out at the author's home by accessing the annual financial statements on the industrial sector listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period which is located at Inkopad Block M4 No. 9 RT02/07 Ke www.idx.co.id 089619832807 c. This research was carried out from March 2023 until Tuesday.

Population is a generalization area consisting of: objects/subjects that have certain qualities and characteristics that are determined by the researcher to be studied and then drawn conclusions (Nilam Anggita & Stiawan, 2023). So that the population is not only a person but also an object, including all the characteristics or traits that the subject or object has. The population in this study is industrial sector companies listed on the Indonesia Stock Exchange in 2018-2022, so the population in this study is 50 companies. The financial statements used and used are financial statements published in 2018-2022. Financial reports as a source of information used to find out and measure the research variables, namely Capital Structure, Tax Planning and Tax Avoidance.

RESULT AND DISCUSSION

The object of research in the study is with the Industrial subsector listed on the Indonesia Stock Exchange from 2018 to 2022, the data used is financial statements or annual reports accessed through the www.idx.com website and several company websites. The sample used used used the *Purposive Sampling* method where the criteria in accordance with the processed data were determined in advance, so that 14 companies that met the criteria were obtained with a total of 70 data. Details of the acquisition of company samples based on the criteria that have been made can be seen in table 4.1 below:

Table 1
Research Sample Criteria

No	Criterion	Violation Criterion	Sum
1	Industrial sector companies listed on the Indonesia Stock Exchange on Year 2018-2022		50
2	Industrial sector companies listed on the Indonesia Stock Exchange consistently publish consecutive annual reports and have not suffered losses during 2018-2022	(27)	23
3	Industrial sector companies that use the rupiah currency in Financial Statements	(1)	22
4	Industrial sector companies that		
	has complete data on Research variables during 2018-2022	(8)	14
	Number of samples that meet the criteria		14
	Year of observation		5
	Total Samples		70

Source : processed data

Based on table 1, the total sample obtained is 70 data consisting of several industrial companies that are processed as research data, which can be seen in the following Table 2:

Table 2
Industrial company research sample

No	Code Issue	Company Name	Business Sector
1	APII	Arita Prima Indonesia Tbk.	Industry
2	ARNA	Arowana Citramulia Tbk.	Industry
3	ASII	Astra International Tbk.	Industry
4	BMTR	Global Mediacom Tbk.	Industry
5	BLUE	Berkah Prima Perkasa Tbk.	Industry
6	BHIT	MNC Investama Tbk.	Industry
7	HEXA	Hexindo Adiperkasa Tbk.	Industry
8	IMPC	Impack Primary Industries Tbk.	Industry
9	JTPE	Jasuindo Tiga Perkasa Tbk.	Industry
10	MARK	Mark Dynamics IndonesiaTbk.	Industry
11	MFMI	Multifing Partners Indonesia Tbk.	Industry
12	SCCO	SupremeCableManufacturing & Commerce Tbk.	Industry
13	SOSS	Shield On Service Tbk.	Industry
14	SPTO	Surya Pertiwi Tbk.	Industry

Source: processed data

Test Results

Descriptive Statistical Analysis

Descriptive statistics are used to provide an overview of data in the form of variables that are studied descriptively. The values seen in descriptive statistics include average value, book deviation, minimum value, maximum value, and summation. The results of the descriptive statistical analysis in this study can be seen from the following table 3:

Table 3
Descriptive Statistics Test Results DESCRIPTIVE STATISTICS

Date: 12/13/23 Time: 14:10				
Sample: 2018 2022				
	CETR	DER	TRR	CPI
Mean	0.295041	0.613891	20.11433	0.282000
Median	0.244882	0.548864	0.770518	-0.130000
Maximum	0.853684	1.989027	736.4915	1.940000
Minimum	0.083580	0.067269	0.523601	-0.380000
Std. Dev.	0.148133	0.359069	113.2521	0.849449
Skewness	1.583487	1.452657	5.740615	1.374591
Curtosis	6.125335	7.022396	34.27870	3.086615
Jarque-Bera	57.74253	71.80985	3238.013	22.06606
Probability	0.000000	0.000000	0.000000	0.000016
Sum	20.65284	42.97240	1408.003	19.74000

Sum Sq. Dev.	1.514084	8.896221	884996.9	49.78792
Observations	70	70	70	70

Date: 12/13/23
Time: 14:10

Source: data processed from Eviews 10

From the table above, it can be seen that the number of Observations (N) is 70 samples. This number is the total sample of industrial companies for 5 (five) years of observation, namely 2018-2022. The statistical analysis with the description of each variable is as follows:

1. Tax Avoidance (PA)

Tax Avoidance as mentioned in Page. 13 with formula

$$\text{:Cash Effective Tax Rate} = \frac{\text{Cash Tax Paid}}{\text{Pre-tax Income}}$$

As shown in table 3, the minimum value of the variable Tax Avoidance is 0.083580 and the maximum value is 0.853684 in the same year 2018-2022. Average value of 0.295041 and Standard Deviation of 0.148133

2. Capital Structure

Capital Structure as mentioned in Page. 13 with the formula :

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$$

As produced in Table 3, the minimum value of the Capital Structure Variable is 0.067269 and the maximum value is 1.989027 in 2018-2022. The average value is 0.613891 and the Stadard Deviation is 0.359069.

3. Tax Planning

Tax Planning as mentioned in Page. 13 with the formula:

$$\text{Tax Retention Rate} = \frac{\text{Net Income it}}{\text{Pre Tax Income EBIT i}}$$

As generated in table 4.3, the minimum value of the Tax Planning variable is 0.523601 and the maximum value is 736.4915 in 2018-2022. Value an average of 20.11433 and a Standard Deviation value of 113.2521.

4. Inflation

Inflation as mentioned on Page. 13 with the formula:

$$\text{CPI} = \frac{\text{Pn (Current price)}}{\text{Po (Base year price)}} \text{ X } 100\%$$

As shown in table 4.3, the minimum value of Inflation is -0.380000 and the Maximum value is 1.940000 in 2018-2022. The average value is 0.282000 and the Standard Deviation is 0.849449.

Panel Data Regression Model Analysis

In this hypothesis research, it was tested using multiple regression analysis of panel data processed with eviews version 10. The panel data is Cross Section (*company*) and Time Series (*annual*) data which are combined The purpose of the multiple regression analysis is to find out whether there is an influence between the variables Capital Structure, Tax Planning and Inflation on Tax Avoidance, there are three models in determining the estimation of panel data, namely:

Common Effect Model

This model is estimated to only combine time sequence data and cross data using the *Ordinary Least Square* (OLS) method approach as a unit without looking at any differences in time and individuals (entities). The output of the panel data estimation regression using the Common Effect Model is as follows:

Table 4 CEM Test Results

Dependent Variable: CETR				
Method: Panel Least Squares				
Date: 12/13/23 Time: 14:19				
Sample: 2018 2022				
Periods included: 5				
Cross-sections included: 14				
Total panel (balanced) observations: 70				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.257199	0.038819	6.625561	0.0000
DER	0.072847	0.051690	1.409301	0.1634
TRR	-5.05E-05	0.000159	-0.316715	0.7525
CPI	-0.020790	0.021663	-0.959700	0.3407
R-squared	0.058566	Mean dependent var		0.295041
Adjusted R-squared	0.015774	S.D. dependent var		0.148133
S.E. of regression	0.146960	Akaike info criterion		-0.941873
Sum squared resid	1.425410	Schwarz criterion		-0.813388
Log likelihood	36.96556	Hannan-Quinn criter.		-0.890837
F-statistic	1.368617	Durbin-Watson stat		0.836050
Prob(F-statistic)	0.260060			

Source : data processed by Eviews 10

Based on Table 4, the results of the Common Effect Model test above can be seen *as a constant Coefficient* Value of 0.257199. Capital Structure of 0.072847. Tax Planning of -5.05E-05. Inflation of -0.020790

Fixed Effect Model

According to Ghozali (2018:223). *The Fixed Effect Model* assumes that there are different effects between individuals. *The Fixed Effect Model* assumes that the slope coefficient is constant but the intercept is non-constant. The approach used is the *Ordinary Least Square* (OLS) method as the estimation technique. The estimated parameters of the *Fixed Effect Model* can be seen from the table below:

Table 5 FEM Test Results

Dependent Variable: CETR				
Method: Panel Least Squares				
Date: 12/13/23 Time: 14:20				
Sample: 2018 2022				
Periods included: 5				
Cross-sections included: 14				
Total panel (balanced) observations: 70				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.288413	0.035672	8.085232	0.0000
DER	0.022193	0.050129	0.442710	0.6598

TRR	Aug. 21E-06	0.000126	0.065336	0.9482
CPI	-0.025394	0.015388	-1.650251	0.1048
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.646716	Mean dependent var		0.295041
Adjusted R-squared	0.540065	S.D. dependent var		0.148133
S.E. of regression	0.100461	Akaike info criterion		-1.550577
Sum squared resid	0.534901	Schwarz criterion		-1.004514
Log likelihood	71.27019	Hannan-Quinn criter.		-1.333674
F-statistic	6.063816	Durbin-Watson stat		2.150606
Prob(F-statistic)	0.000000			

Source: Data processed by eviews 10

Based on table 5, the results of the Fixed Effect Model test above have a *constant Coefficient* value of 0.288413. Capital Structure of 0.022193 and Tax Planning of 8.21E-06. Inflation was -0.025394.

Random Effect Model

The Random Effect Model is a model that will estimate panel data where the perturbation variables (residual) may be interrelated between time and between individuals (entities) (I. Ghozali, 2017). This model assumes that there is a Two components that contribute to the formation of errors are *the time series* and *cross section.* The estimation method used in this model is *the Generalized Least Square* (GLS) method. This method is better used on panel data if the number of individuals is greater than the number of existing time periods. The following results *of the Random Effect Model* test can be seen from this table:

Table 6 Random Effect Model Test Results

Dependent Variable: CETR				
Method: Panel EGLS (Cross-section random effects)				
Date: 12/13/23 Time: 13:48				
Sample (adjusted): 2019 2022				
Periods included: 4				
Cross-sections included: 14				
Total panel (balanced) observations: 56				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.584670	0.207283	2.820641	0.0068
D(DER)	-0.071395	0.038185	-1.869684	0.0672
TRR	-0.368850	0.267198	-1.380437	0.1734
CPI	-0.032767	0.014130	-2.318982	0.0244
Effects Specification				
			S.D.	Rho
Cross-section random			0.096606	0.5040
Idiosyncratic random			0.095838	0.4960
Weighted Statistics				
R-squared	0.141651	Mean dependent var		0.130651
Adjusted R-squared	0.092131	S.D. dependent var		0.105826

S.E. of regression	0.100833	Sum squared resid	0.528700
F-statistic	2.860468	Durbin-Watson stat	1.560738
Prob(F-statistic)	0.045651		
Unweighted Statistics			
R-squared	0.114230	Mean dependent var	0.294019
Sum squared resid	1.217937	Durbin-Watson stat	0.677508

Source: Data processed by eviews 10

Based on table 6, the results of the Random Effect Model test above have a *constant Coefficient* value of 0.584670. Capital Structure of -0.071395 and Tax Planning of -0.368850. Inflation was -0.032767.

Panel Data Regression Model Selection Test

Chow Test

The Chow test is used to select one of the best approaches between the Common *Effect Model* (CEM) and *the Fixed Effect Model* (FEM) in estimating panel data. According to (Imam Ghozali, 2011), the basis for decision-making is that if the probability is >0.05, then H0 is accepted. This means that *the Common Effect Model* will be used. But if the probability < 0.05, then H1 is accepted, meaning using the *Fixed Effect Model approach*. The results of the Chow Test in this study are:

Table 7 Chow Test Results

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
1. Effects Test	Statistics	D.F.	Prob.
Cross-section F	6.787297	(13,53)	0.0000
Cross-section Chi-square	68.609259	13	0.0000

Cross-section fixed effects test equation:				
Dependent Variable: CETR				
Method: Panel Least Squares				
Date: 12/13/23 Time: 13:38				
Sample: 2018 2022				
Periods included: 5				
Cross-sections included: 14				
Total panel (balanced) observations: 70				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.257199	0.038819	6.625561	0.0000
DER	0.072847	0.051690	1.409301	0.1634
TRR	-5.05E-05	0.000159	-0.316715	0.7525
CPI	-0.020790	0.021663	-0.959700	0.3407
R-squared	0.058566	Mean dependent var		0.295041
Adjusted R-squared	0.015774	S.D. dependent var		0.148133
S.E. of regression	0.146960	Akaike info criterion	-0.941873	
Sum squared resid	1.425410	Schwarz criterion	-0.813388	
Log likelihood	36.96556	Hannan-Quinn criter.	-0.890837	
F-statistic	1.368617	Durbin-Watson stat		0.836050
Prob(F-statistic)	0.260060			

Source: Data processed by eviews 10

The results of the Chow Test in table 7 above show the probability value of cross section F = 0.0000< 0.05. This means that the correct *Fixed Effect Model* is used over *the Common Effect Model* to estimate the panel data.

Hausman Test

The Hausman test is used to choose one of the best approaches whether to use the *Fixed Effect Model* or *the Random Effect Model.* The basis for decision-making according to (Imam Ghozali, 2018) is that if the probability > 0.05, then H0 is accepted, meaning that the Random Effect Model will be used, but if the probability value < 0.05. Then H1 is accepted, meaning using the *Fixed Effect Model approach.* The results of the Hausman Test in this study are:

Table 8 Hausman Test Results

Correlated Random Effects - Hausman Test Equation: Untitled Test cross-section random effects			
Test Summary	Chi-Sq. Statistics	Chi-Sq. D.F.	Prob.
Cross-section random	1.391110	3	0.7076

Cross-section random effects test comparisons:

Variable	Fixed	Random	var(diff.)	Prob.
DER	0.022193	0.033883	0.000310	0.5070
TRR	0.000008	0.000004	0.000000	0.8680
CPI	-0.025394	-0.024232	0.000004	0.5756

Cross-section random effects test equation: Dependent Variable: CETR
Method: Panel Least Squares Date: 12/13/23 Time: 13:39 Sample: 2018 2022

Periods included: 5				
Cross-sections included: 14				
Total panel (balanced) observations: 70				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.288413	0.035672	8.085232	0.0000
DER	0.022193	0.050129	0.442710	0.6598
TRR	Aug. 21E-06	0.000126	0.065336	0.9482
CPI	-0.025394	0.015388	-1.650251	0.1048
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.646716	Mean dependent var		0.295041
Adjusted R-squared	0.540065	S.D. dependent var		0.148133
S.E. of regression	0.100461	Akaike info criterion		-1.550577
Sum squared resid	0.534901	Schwarz criterion		-1.004514
Log likelihood	71.27019	Hannan-Quinn criter.		-1.333674
F-statistic	6.063816	Durbin-Watson stat		2.150606
Prob(F-statistic)	0.000000			

Source: Data processed by eviews 10

From the results above in table 8, it can be seen that the probability value is 0.7076 <

0.05. This means that the right *Random Effect Model* is used compared to *the Fixed Effect Model.*

Langrange Multiplier Test

The Lagrange multiplier *test* is used to choose the best approach whether to use the *Common Effect Model* (CEM) or *Random Effect Model* (REM) approach model. The basis for decision-making according to Basuki and Prawoto (2016:282) is that if the probability is >0.05, then H0 is accepted, meaning that *the Common Effect Model* will be used. But if the probability value < 0.05, then H1 is accepted, meaning using the *Random Effect Model approach.* The results of *the langrange multiplier* test in this study are:

Table 9 Langrange Multiplier Results

Residual Cross-Section Dependence Test			
Null hypothesis: No cross-section dependence (correlation) in residuals			
Equation: Untitled			
Periods included: 5			
Cross-sections included: 14			
Total panel observations: 70			
Note: non-zero cross-section means detected in data			
Cross-section means were removed during computation of correlations			
Test	Statistics	D.F.	Prob.
Breusch-Pagan LM	136.4708	91	0.0014
Scaled LM marketing	3.370524		0.0008
CD Marketing	0.599544		0.5488

Source : Data processing with Eviews 10

The results of the *langrange multiplier* test in table 9 above show a probability value = 0.0014 < 0.05. This means that the *Random Effect Model* is used appropriately over *the Common Effect Random.*

Classical Assumption Test

The Classical Assumption Test is a test that is carried out first before conducting regression analysis and hypothesis testing. The Classical Assumption Test is necessary to ensure that the regression model is good and truly has regularity in estimation, is unbiased and consistent. The commonly used Classical Assumption Tests are the Normality Test, the Multicollinearity Test, the Autocorrelation Test and the Heteroscedasticity Test (Imam Ghozali, 2018). In detail it can be explained as follows:

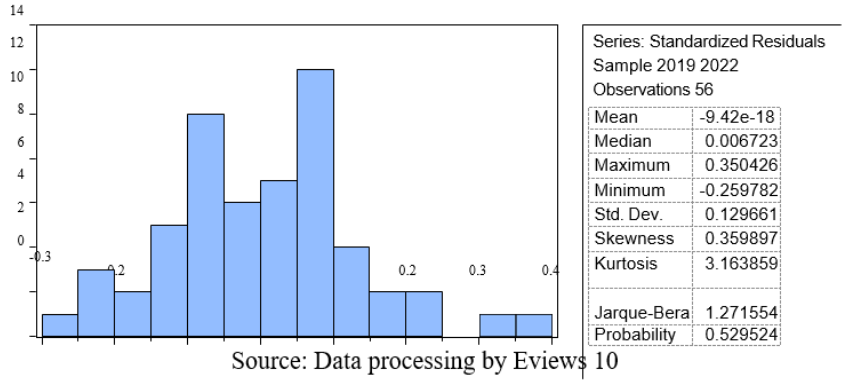
Normality Test

According to (Imam Ghozali, 2018) The Normality Test is a test that is carried out to see if any of the data owned in the study can be distributed normal or abnormal. If the results of the Normality Test do not show normal results, then a detector is needed in the data obtained by means of graph analysis and Statistical Test. This is because the residual value will follow the normal distribution that requires detection in the data processing results.

According to (Imam Ghozali, 2018), the Normality Test with the Statistical Test used is *Jarque-Bera* using a probability value of alpha = 5%. The basis for decision making based on *Probability* is as follows:

H0 : If *Probability* > 0.05 then the data is normally distributed

Ha : If *the Probability* < 0.05 then the data is not normally distributed The results of the Normality Test of this study are as follows:



Source: Data processing by Eviews 10

Figure 1 Normality Test Results

Source: Data processing by Eviews 10

Based on figure 4.1 above, it shows that the probability value is 0.529524. Since the probability is >0.05, then H0 is accepted. Thus, it can be concluded that the data is normally distributed.

Multicollinearity Test

According to (Imam Ghozali, 2018), the Multicollinearity Test aims to test whether the regression model finds a correlation between free variables. The Multicollinearity Test has an effect on the sample that can cause high variability. This will result in a large erottr standard by looking at the results of the coefficient test through the T-count will be of small value compared to the T-table which shows the absence of linear relationships between independent variables affected by the following variables:

The conditions for decision-making are as follows:

1. If the correlation value < 0.80, then there is no problem of Multicollinearity.
2. If the correlation value > 0.80, then the problem of Multicollinearity occurs.

The results of the Multicollinearity Test in this study are as follows:

Table 10 Multicollinearity Test Results

	DER	TRR	CPI
DER	1.000000	-0.154804	-0.245742
TRR	-0.154804	1.000000	-0.084064
CPI	-0.245742	-0.084064	1.000000

Source: Data processing by Eviews 10

In the table above for DER with a correlation below <0.80, then there is no problem.
In the table above for TRR with a correlation below <0.80, then there is no problem.
In the table above for the CPI with a correlation below <0.80, then there is no problem.

Based on the results from table 4.10, it shows that the correlation value between free variables (capital structure, tax planning and inflation) is less than 0.80. Thus, it can be concluded that there is no problem of multicollinearity between free variables in the regression model.

Heteroscedasticity Test

The Heteroscedasticity test aims to find out whether in a regression model there is a variance disparity from residual research to other studies (Imam Ghozali, 2018). A good test result is when the test results show no homoskepestivity or no heteroscedasticity. To detect whether or not heteroscedasticity occurs can be done by conducting the White test The basis for decision-making to determine Heteroscedasticity is as follows:

1. If the Probability *Chi – Square value* > 0.05, then it means that there is no Heteroscedasticity problem.
2. If the Probability *Chi – Square value* < 0.05, then it means that there is a Heteroscedasticity problem.

The results of the Heteroscedasticity Test in this study are as follows:

Discussion of Research Results

The discussion of this study is an explanation of the analysis of case studies on the influence of capital structure, tax planning and inflation on tax avoidance. The following will explain the influence of each independent variable on the dependent variable. Based on the results of the data test using *Eviews 10 software* are as follows:

The Influence of Capital Structure, Tax Planning and Inflation on Tax Avoidance

The first hypothesis states that capital structure, tax planning and inflation together affect tax avoidance and the results of this study show that capital structure, tax planning and inflation together affect tax avoidance. This can be seen from the F value calculated as 0.100833 and with a significance value of 0.045651. The significant value is less than 0.05 (0.045651 < 0.05) which means that the first hypothesis (H1) is accepted.

To be able to minimize tax liabilities, management conducts tax planning, this is done by management to reduce and make the tax burden as small as possible, but tax planning must be considered that tax planning without violating the applicable tax law. Companies with large fixed assets tend to carry out tax planning so that they have a low ETR (Ardyansah & Zulaikha, 2014)

Capital structure policies, tax planning and inflation can be used as an influence on tax avoidance partially, so simultaneously the researcher assumes that these three variables together will also affect tax avoidance.

Based on the results of this study, it is appropriate because it prioritizes taxpayer compliance in their obligation to pay taxes in accordance with existing regulations without violating or avoiding taxes. So the company chooses not to do tax avoidance and utilize its fixed assets for the company's operational activities.

The Effect of Capital Structure on Tax Avoidance

Based on the t-test in table 4.17 above, it shows that capital structure has an effect on tax avoidance. It can be seen in this study that the results of the t-calculation for the modal structure variable of -1.869684 are smaller than the table t of 1.99656 have no effect and the significant level of 0.0672 > 0.05 is insignificant. So it can be concluded that H2 rejected.

The results of this study show that capital structure has no effect on tax avoidance. These results are not in line with research conducted by (Afifah, Sunarta, & Fadillah, 2019) which states that capital structure has a significant effect on tax avoidance. This difference in results may be due to differences in the sample of companies studied and also differences in the years of observation.

Based on the results of this study, it is appropriate because it prioritizes taxpayer compliance in carrying out their obligation to pay taxes in accordance with existing regulations without violating or avoiding taxes. So the company chooses not to or do tax avoidance and utilize its fixed assets for the company's operational activities. For this reason, this research is in accordance with the agency theory used by the author where writing as an agent fulfills its tax obligations to the government as a principal by carrying out a capital structure.

The Effect of Tax Planning on Tax Avoidance

Based on the t test of table above, it shows that tax planning has no effect on tax avoidance. It can be seen in this study that the results of t calculation for tax planning variables of - 1.380437 greater than t table t of 1.99656 have no effect and the significant level of 0.1734 > 0.05 is insignificant. So it can be concluded that H3 was rejected.

According to (Suandy, 2016), the definition of tax planning is *(tax planning) The* first step in conducting tax management. At this stage, collection and research on tax regulations are carried out so that the type of saving action that will be carried out in general can be selected.

The emphasis of tax planning is to minimize tax liability.

The results of this study show that tax planning has no effect on tax avoidance. This result is in line with research conducted by (Yuliana & Prastyatini, 2022) which states that tax planning has a significant effect on tax avoidance. And also this research is not in line with Igna (2012) that tax planning has an effect on tax avoidance. This difference in results may be due to differences in the sample of companies studied and also differences in the years of observation.

Based on the results of this study, it is appropriate because it prioritizes taxpayer compliance in carrying out their obligation to pay taxes in accordance with existing regulations without violating or avoiding taxes. (Fatarib and Riznaharani, 2018). So the company chooses not to or do tax avoidance and utilize its fixed assets for the company's operational activities. For this reason, this research is in accordance with the angesi theory used by the author where writing as an agent fulfills its tax obligations to the government as a principal by doing tax planning.

Inflation Affects Tax Avoidance

Based on the t-test in table above, it shows that inflation has no effect on tax avoidance. It can be seen in this study that the t-calculated for the inflation variable of -2.318982 is smaller than the table t of 1.99962 has no effect and the significant level is 0.0244 < 0.05 significant. So it can be concluded that H3 is accepted.

According to (Putong, 2015) Inflation is a process of increasing prices that occur in an economy due to the asynchrony between the commodity doubling system programs.

The results of this study show that inflation has an effect on tax avoidance. This result is in line with research conducted by (Dewi & Wirasedana, 2018) which states that inflation is not a problem that is too significant if the situation is balanced by the availability of necessary commodities and is accompanied by an increase in income that is greater than the inflation rate, so it is meaningless for inflation to tax avoidance.

Based on the results of this study, it is appropriate because it prioritizes taxpayer compliance in carrying out their obligations to pay taxes in accordance with existing regulations without violating or evading taxes. So the company chooses not to or do tax avoidance and utilize its fixed assets for the company's operational activities. For this reason, this research is in accordance with the agency theory used by the author where writing as an agent fulfills its tax obligations to the government as a principal by doing tax planning.

CONCLUSION

This study aims to determine the Capital Structure, Tax Planning and Inflation Against Tax Avoidance in Industrial Subsector companies for the 2018-2022 Period with Secondary data on the Indonesia Stock Exchange. Based on the results of the analysis, conclusions that can be drawn from this study are as follows: Capital structure partially

has no effect on tax avoidance so that the hypothesis is rejected. Tax planning partially has no effect on tax avoidance so that the hypothesis is rejected. Inflation partially has a significant effect on tax avoidance , so the hypothesis is accepted. Capital structure, tax planning and inflation simultaneously have a negative effect on Tax Avoidance so that the fourth hypothesis is accepted.

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