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Influence Of Capital Intensity And Executive's Characteristic Toward Tax Avoidance With Family Ownership As Moderation Variable

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Abstract:
This research is aimed at examining the effect of capital intensity and executive's characteristic on tax avoidance moderated by family firm and controlled by leverage as well as corporate size in coal companies listed on The Indonesia Stock Exchange (IDX) during 2016-2020. The analysis model used in this research is panel data regression analysis and data processing using Eviews 10. Sample used in this research originates from nine coal company. The data in this research is of secondary type whose selection method is purposive sampling method. Result of this research indicates that capital intensity has significant negative effect on tax avoidance, executive's characteristic has a significant positive effect on tax avoidance, family firm has a significant negative effect on tax avoidance, family firm strengthens the negatif effect of capital intensity to tax avoidance and family firm strengthens the positive effect of executive's characteristic to tax avoidance.
Keywords*: Capital Intensity, Executive's Characteristics, Family Firm, Leverage and Company Size*

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I. Introduction

As a rapidly developing country, Indonesia keeps on making progress in all national sectors particularly economy for the welfare of its people. Fund in a great amount is needed to finance national development. Tax is so far the Indonesia's source of fund for improving national welfare. Tax is regulated by law and paying tax is compulsory to all Indonesian citizens and bussiness entities operating in Indonesia despite the absence of direct repayment behind it. Tax is national budget the country needs to survive and make its people prosperous. Tax is so important since in the absence of tax, a country will fail. Owing to the importance of tax for a country and its people, Indonesian government reforms its policy concerning tax through digitalization for the ease of registrating, paying and reporting tax.

Despite the reform in policy concerning tax and the increase of tax received anually, the amount of tax targetted by the government has not yet been maximum as expected. For example, in 2018 the amount of tax received by the government is only 93.86% (1518.80 of Rp1618.10 quintillions). This is due primarily to the deliberate avoidance of tax by taxpayer through legal exploitation of the grey area in the law.

Tax avoidance is no longer new in Indonesia. Bussiness sector being prone to tax avoidance is coal industry. According to BP Statistical Review of 2021, Indonesia is the third largest coal producer in the wolrd. A couple of coal producers used to avoid tax. One among them is PT Adaro Energy Tbk. which avoided tax of US$125 millions during 2009-2017 by exploiting scheme of transfer pricing via its subsidiary in Singapura. Directorate General of Tax (DJP) used to sue PT MultisaranaAvindo

(MSA) for the lack of Value Added Tax of Rp7.7 billions during three consecutive years of 2008, 2009, 2010 due to the alleged shift of mining authorization to PT Anugerah Bara Kaltim (ABK). However, the claim is rejected by the judge reasoning the absence of shift of mining authorization because mining license at that time was still held by PT MultisaranaAvindo (MSA). In addition to the reason, the type of cooperation between the two mining companies is profit sharing. Owing to the absence so far of law regulating such a cooperation, the shift of mining authorization from one company to the other or vice versa becomes grey area for the avoidance of tax practice in Indonesia.

Factors allegedly influence tax avoidance are *inter alia* capital intensity, characteristic of the executives, family ownership, leverage and size of company. Tax avoidance in this research is represented by Cash Effective Tax Ratio (CETR). The aim of this research is to observe whether 1) capital partially influences the tax avoidance positively, 2) executive's characteristic partially influences the tax avoidance positively, 3) family ownership partially influences the tax avoidance positively, 4) family ownership is able to reinforce the

positive influence of capital intensity toward tax avoidance, and 5) family ownership is able to reinforce the positive influence of executives' characteristic toward tax avoidance.

II. Literature Review

Agency Theory

According to Ramadona (2016), agency theory is a theory related to agreement between members of a company. This theory is focused on relation between two agents with different interests, i.e., agent (management) and principal. Agent is employed by the principal to carry out its tasks inclusive of making decision. Agency problem emerges due to tax avoidance brought about (caused) by the difference in interests. At one side, agent wishes an increase in compensation from the profit by avoiding tax regardless of long term risk faced by the company, while at another side principal wishes a lower tax without causing a risk to the life of the company (Maryam, 2018).

Trade Off Theory

Trade Off Theory coerces a manager to compromise in the determination of capital structure. Using debts poses two possibilities, i.e., reducing tax due to interests expense the company has to pay, and bankcruptcy owing to the debt. Masri and Martani (2014) opine that debt could 1) reduce tax due to the decrease of company's income and 2) make the company get bankcrupt as well. Here manager should be able to reduce tax as well as secure the company from bankcruptcy.

Tax

According to Indonesian Law No. 28 of The Year 2007 Paragraph 1 Clause (1) concerning General Stipulation and Taxing Procedures, tax is legal compulsary contribution to the government without direct repayment subjected to individual or institution for the sake of national welfare and prosperity. Tax is of great importance for being the source of fund for a country to finance the development in all sectors.

Tax Avoidance

Tax avoidance is legal and safe effort or trick to avoid tax. The trick is embodied by exploiting the weaknesses (grey area) left by the law and regulation concerning the tax itself for the purpose of reducing the tax payable (Pohan, 2016:23). According to Dewinta and Setiawan (2016), tax avoidance is practised by many companies for the purpose of reducing tax expense legally (without violating the regulation concerning tax) by exploiting exception, discount, postponement of the tax payment or other weaknessess having not been regulated by the law. Decision for the avoidance of tax is usually made by the company based on its executive's policy. In this research, tax avoidance is measured through Cash Effective Tax Rate (CETR) approximation, i.e.,ratio between cash paid for tax and profit tax.

Capital Intensity

According to Andhari and Sukartha (2017), fixed asset intensity is the amount of company's treasure invested as fixed asset. Fixed asset inludes building, factory, property, machineries, equipments and the like. The choise of investment using fixed asset will invite high depreciation expense. High depreciation expense will decrease company's profit which in turn lowers the tax expense. On the contrary, research by Lestari et al (2019) shows that high capital intensity in a company could lower tax avoidance practices since the ownership of high fixed asset is intended mainly to support the smooth operation of a company, not merely to avoid tax..

Characteritics of Executive

Practice of avoiding tax by the company is based on policy made by company's executive. Company's executive is individual holding an important position in company's hierarchy. According to Low (2006), executives act as a *risk taker* or *risk averse* viewed on their characteristic when carrying out their tasks. Risk taker is more courageous in making bussiness decision, e.g., using debt as financial resource to finance bussinessavtivities. On the contrary, risk averse tends to avoid risk so he does not dare decide choise related to bussiness.

Corporate risk is standard deviation of company's earning either *downside risk* (poorly designed) or *upside potensial* (excessively designed). Executive's characteristic as risk taker or risk averse could be seen from the intensity of the company's risk, i.e., whether high or low (Kartana and Wulandari, 2018). Poligorova said (2010) states in *Hanafi and Harto* (2014), company's risk is calculated as ratio between standard deviation of EBITDA (Earning Before Income Tax, Depreciation, and Amortization) and total asset of the company. Company whose risk value is more than the average is valued 1 whilst that having risk value lower than the average is valued 0. Company with value 1 is a one where the executive in it is a risk taker whilst that with value 0 is a company where the executive in it is a risk averse (Hanafi and Harto, 2014).

Family Ownership

According to La Porta et. Al (1999) in Masri and Martani (2014), family ownership refers to the ownership of share by individual or entity in an amount of more than 5%, or his or her name is listed within financial report of companies other than government's companies, financial institutions, public companies, and society whose names are not listed in company's financial report. Chen et al (2010) opines that structure of family ownership could reduce tax avoidance in companies. This is due to the fact that family company tends avoiding actions risking to disgrace family's reputation and spending auditing cost for tax auditing. Masri et al (2017) is quoted as citing that family ownership tends to be agressive in paying tax so as to decrease rent extraction expected by share holders and management.

III. Population Sample, Research Hypothesis and Model Construction

3.1 Population and Sample

Population used in research is coal-mining company listed in Indonesia Stock Exchange (BEI) in 2016-2020. Sampling technique used is purposive sampling one collecting samples based on sample selection criteria as follows.

1. Coal company listed in Indonesia Stock Exchange in 2016-2020.
2. Coal company listed in Indonesia Stock Exchange in 2016-2020 which consistently issued financial reports during 2016-2020 period.
3. Coal company listed in Indonesia Stock Exchange in 2016-2020 which suffered no losses in its financial reports during 2016-2020 period.
4. Coal company listed in Indonesia Stock Exchange in 2016-2020 whose CETR is less than 100% during 2016-2020 period.

3.2 Model Construction and ReaserchHypotesis

Influence of Capital Intensity toward Tax Avoidance

Capital Intensity or asset intensity describes the amount of company's treasure invested in the form of fixed asset. Company's fixed asset encompasses buildings, factories, properties, machineries, equipments and so on (Andhari and Sukartha, 2017). The ownership of fixed asset in large amount results in a high depreciation of the asset. According to Law No. 36 of the Year 2008 Article 6 Clause (1) concerning the income tax (PPh), depreciation expense is negative with respect to income when calculating tax. The larger the amount of fixed asset possessed by a company, the larger the depreciation expense borne by the company which in turn lowers the taxable income.

The company, through capital intensitity, could therefore exercise tax avoidance in order to lower company's income. The fact is in line with Andhari and Sukarta's research (2017) in which capital intensity exerts positive influence on tax avoidance in the form of lowering company's income which in turn lowering the amount of tax the company should pay.

H1: Capital intensity influences tax avoidance positively

PengaruhKarakterEksekutifterhadap Tax Avoidance

According to Low (2006), in carrying out their duties, executive leaders have two characters, namely risk takers and risk averse. A risk taker is an executive character who is brave in making policies even though he has a high risk. Meanwhile, risk averse is an executive character who lacks courage in making a policy and tends to avoid big risks. Executive character can be reflected in corporate risk. The higher the corporate risk, the executive character is a risk taker where the effort to do tax avoidance is even higher, while the low corporate risk indicates the executive character is risk averse, where the effort to do tax avoidance is also low (Kartana and Wulandari, 2018). Alviyani's research (2016) states that corporate risk has a significant effect on tax avoidance, which means that the more executives are risk takers, the higher the level of tax avoidance. The size of the company's risk indicates the tendency of executive character.

H2: Executive character has a positive effect on tax avoidance

The Influence of Family Ownership toward Tax Avoidance

Cheng-Hsun Lee and S. Bose's research (2021) reveals that family company responds more agressively to tax payment in comparison to the non-family companies. This fact is supported by Masri and Martani's research (2014) which cited that companies of family ownership exert larger influence to tax avoidance.

H3: Family ownership has positive influence toward tax avoidance

Family Ownership Moderates Capital Intensity toward Tax Avoidance

Masri' et al'sresearch (2017) reveals that family company tends to agressively behave in the case of tax payment with respect to the non-family one. Such a behaviour is deemed not economic by the shareholders

since lowering their rent extraction and causing higher price of capital. This condition results in a positive relation between the moderation of family company toward tax avoidance and equity cost. Capital intensity relates to the amount of capital invested by the company as fixed asset (Cahyadi and Merkusiwati, 2016). According to Dharma and Noviari (2017), almost all fixed assets undergo depreciation which could in turn lower tax expense owing to the reduction of taxable income. This signalizes that the larger the capital intensity, the more frequent the tax avoidance practices take place.

H4: Family ownership reinforces positive influence of capital intensity toward tax avoidance

Family Ownership Moderates Characteristic of the Executive toward Tax Avoidance

Executive whose characteristic is a risk taker or risk averse reflect high or low company's risk. Risk taker's characteristic give a strong motivation to the executive to get large income, reach high position in career, live in prosperity, and get higher authority. In addition, a risk taker does not hesitate to finance bussiness relying on debt for the fast growth of the company and higher profit (Alviyani, 2016).

La et al (2010) in *Maharani and Juliarto* (2019) puts forward entrenchment hypothesis in which he says that family could improve its strength in company via high voting right and placement of its members in board of directors and management to exacerbate voting for the sake of minority. One advantage put forward by tax avoidance practice is the increase of rent extraction. In case most of company's shares are held by family, rent extraction is more oportune.

H5: Family ownership reinforces positive influence of executive's characteristic towaed tax avoidance

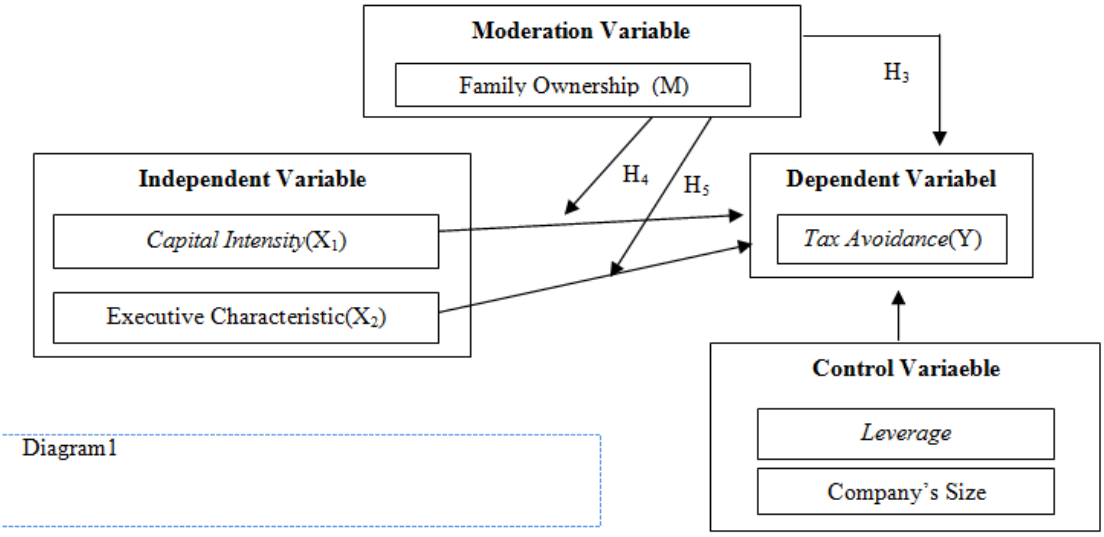

Diagram1

Model depicting the relation between each variable in this research can be seen below. In oder to find the best regression model, model test encompassing Chow test, Hausman and Lagrange Multiplier test (LM) is needed. In addition, this research requires as well classical assumption test prior to hypothesis test. Classical assumption test applied is normality test, multicolineraties test, heteroscedasticity test and autocorrelation test.

Model 1 : $CETR = a + \beta_1 CINT_{it} + \beta_2 KE_{it} + \beta_3 FAM_{it} + \beta_4 LEV_{it} + \beta_5 SIZE_{it} + \varepsilon$

Model 2 : $CETR = a + \beta_1 CINT_{it} + \beta_2 KE_{it} + \beta_3 FAM_{it} + \beta_4 CINT_{it}\ \mathrm{X} FAM_{it} + \beta_5 KE_{it} \mathrm{X} FAM_{it} + \beta_6 LEV_{it} + \beta_7 SIZE_{it} + \varepsilon$

Keterangan :

CETR : *Cash Effective Tax Rate*
CINT : *Capital Intensity*
KE : Executive's characteristic
FAM : Family Ownership
LEV : *Leverage*
SIZE : company's size
a : Konstanta
β : coefficient of regression of independent variables, respecttively
i : *Cross section identifier* (perusahaan)
t : *Financial year* (Tahun)

ε : Residual/*Error*

IV. Descriptive Statistics, Classical Assumption Test, Hypothesis Test

4.1Descriptive Statistics

	CETR	*CINT*	KE	FAM	*LEV*	SIZE
Mean	0.3354	0.2056	0.4889	0.5927	0.3319	20.2178
Maximum	0.8645	0.3821	1.0000	0.9700	0.6231	22.6997
Minimum	0.0472	0.0416	0.0000	0.0000	0.0880	18.5723
Std. Deviasi	0.1918	0.0815	0.5055	0.3695	0.1355	1.1913
N	45	45	45	45	45	45

Table 1. Descriptive Statistics

Based on the result of the descriptive statistics in Table 1, CETR has a mean of 0.3354 which is greater than its standard deviation, i.e., 0.1918. That value implies that deviation of tax avoidance variable is less than its means. Maximum value of CETR, i.e., 0.8645, is possessed by ITMG of 2020 and minimum value of 0.0472 belongs to HRUM of 2016. Capital Intensity has a mean value of 0.2056 with standard deviation of 0.0815. This reflects a deviation value lesser than its means. Maximum value of capital intensity of 0.3821 belongs to MYOH in 2016 whilst its minimum value of 0.0416 belongs to TOBA in 2020.

Executive's characteristic has mean value of 0.4889 with standard deviation of 0.5055. This indicates a deviation value being lesser than its means. Maximum value of executive's characteristic, i.e., 1, indicates that the executive is a risk taker whilst its minimum value of 0 reflects that the executive is a risk averse.

Family ownership indicates a positive means value of 0.5927 with standard deviation of 0.3695. This means that deviation of family ownership's variable is less than its means value. Minimum value of family ownership's variable is 0%. This belongs to PTBA as government's company (BUMN). Meanwhile the maximum value of family ownership is 97% and this belongs to GEMS.

Leverage control variable approached by DAR has maximum value of 0.6231 possessed by TOBA in 2020 and minimum value of 0.0880 possessed by HRUM in 2020. Mean value of 0.3319 belongs to leverage variable with deviation standard of 0.1355. Second control variable, i.e., size of the company, has a means of 20.2178 which is higher than its deviation standard of 1.1913. Maximum value of company's size, 22.6997, possessed by ADARO in 2019 and minimum value 18.5723 possessed by MBAP in 2016.

4.2Classical Assumption Test

1. Normality Test

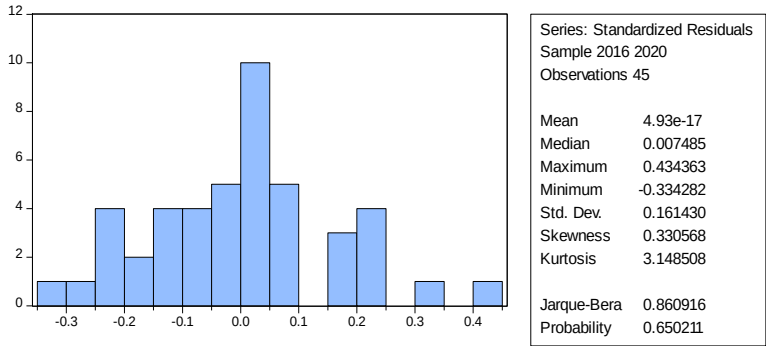

Figure 1. Normality Testof Model 1

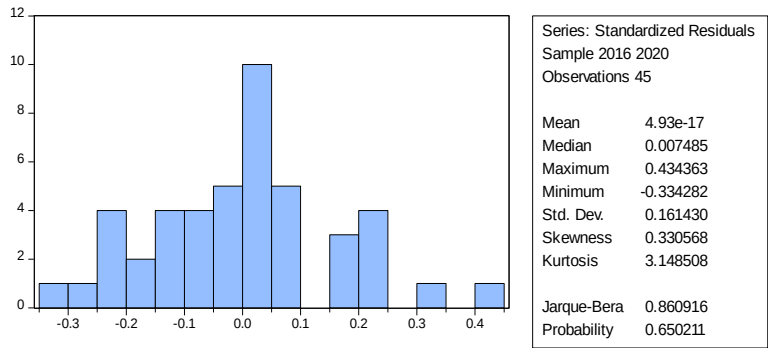

Figure2. Normality Testof Model 2

Figure 1 shows the results of the normality test with Jarqu-Bera with a probability value of 0.5555 > 0.05, which means that H0 is accepted and it is concluded that the residual value in model 1 of this study is normally distributed. Based on Figure 2, the results of the normality test of model 2 show that the residual value in model 2 of this study is normally distributed because the Jarqu-Bera probability value is 0.6502 > 0.05.

2. Multicolinearity Test

	CETR (Y)	CINT (X_1)	KE (X_2)	FAM (M)	LEV	SIZE
CETR	1.000000	0.177716	-0.165040	-0.073839	0.029997	0.258519
CINT	0.177716	1.000000	0.342957	-0.146997	-0.400585	-0.068145
KE	-0.165040	0.342957	1.000000	0.348715	-0.321898	-0.438566
FAM	-0.073839	-0.146997	0.348715	1.000000	-0.365868	-0.723741
LEV	0.029997	-0.400585	-0.321898	-0.365868	1.000000	0.349651
SIZE	0.258519	-0.068145	-0.438566	-0.723741	0.349651	1.000000

Tabel 2. Multicolinearity Test

Based on Table 2, result of multicolinearity test shows the absence of independent variable being larger than 0.80 so multicolinearity does not take place in this research.

3. Heteroskedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.029557	3.586691	1.123475	0.2699
CINT	-0.416586	0.647978	-0.642902	0.5250
KE	-0.088068	0.053618	-1.642518	0.1106
FAM	-0.012359	0.205500	-0.060140	0.9524
LEV	0.022769	0.489229	0.046540	0.9632
SIZE	-0.186372	0.177244	-1.051499	0.3012

Tabel3. Heteroskedasticity Test of Model 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.346170	4.268779	-0.081093	0.9359
CINT	-0.055912	1.513405	-0.036945	0.9708
KE	-0.072930	0.106145	-0.687078	0.4975
FAM	0.144529	0.251183	0.575391	0.5695
CINT*FAM	0.084801	1.545719	0.054862	0.9566
KE*FAM	-0.014581	0.136961	-0.106458	0.9160
LEV	-0.263517	0.546879	-0.481857	0.6335
SIZE	0.025338	0.208921	0.121280	0.9043

Tabel4. Heteroskedasticity Testof Model 2

Based on Table 3, result of Heteroscedasticity Test of Model 1 reveals that the probability in each variable is larger than 0.05. This means that heteroscedasticity does not occur in multiple linear regression of Model 1 in this research. Probability in each variable for Model 2 in Table 4 is larger than 0.05 so heteroscedasticity does not occur as well in multiple linear regression of Model 2 in this research.

4. Autocorrelation Test

Model Regresi	N	DU	DL	(4-DU)	Nilai DW	Keputusan
Model 1	45	1,6148	1,4292	2,3852	1.705435	Tidakterjadiautokorelasi
Model 2	45	1,6148	1,4292	2,3852	1.820725	Tidakterjadiautokorelasi

Tabel5. Autocorrelation Test

Based on the result of model test using Chow, Hausman and Lagrange Multiplier (LM) tests, the best model used in this research is common effect model for both model 1 and model 2. Regression equation is thus derived as follows.

Model 1:CETR = -1,163270 + 0,742883 CINT – 0,124337 KE + 0,235079 FAM + 0,123853 LEV + 0,060614
SIZE + ε

Model 2: CETR = -1,907413 – 0,455501 CINT + 0,023537 KE – 0,064326 FAM + 2,064920 CINT x FAM
-0,158841 KE x FAM + 0,048578 LEV + 0,106825 SIZE + ε

4.3Hypothesis Test

R-squared	0.385875	Mean dependent var	0.448190
Adjusted R-squared	0.307141	S.D. dependent var	0.314275
S.E. of regression	0.177182	Sum squared resid	1.224346
F-statistic	4.901001	Durbin-Watson stat	1.705435
Prob(F-statistic)	0.001419		

1. Determination (R^2) dan Simultaneous Test (F)

Tabel6. Uji R^2 dan Uji F Model 1

R-squared	0.397842	Mean dependent var	0.440698
Adjusted R-squared	0.283920	S.D. dependent var	0.251534
S.E. of regression	0.171020	Sum squared resid	1.082173
F-statistic	3.492235	Durbin-Watson stat	1.820725
Prob(F-statistic)	0.005661		

Table7. R^2 Test danF Test of Model 2

Based on Table 6, result of determination coefficient R2 shows that model 1 has Adjusted R Squarred of 0.307141 which indicates the ability of independent variable, moderation variable and control variable in model 1 to explain the independent variable up to 31%, while the rest of 69% is explained by variable beyond the model. Result of determination coefficient R2 in Table 7 shows that model 2 has Adjusted R Squarred of 0.283920. This figure indicates the ability of independent variable, moderation variable and control variable in model 1 explaining the dependent variable up to 28%, while the rest of 72% is explained by variable outside the model.

Based on simultaneous test (F) of model 1 on Table 6, Fcounted is 0.001419 which is less than 0.05. This means that independent variable, moderation variable and control variable in model 1 of this research has a simultaneous influence toward dependent variable and regression model deserves tested. Result of simultaneous test (F) of model 2 in Table 7 shows Fcounted of 0.005661 which is less than 0.05. This implies that independent variable, moderation variable, and control variable in model 2 of this research exert a simultaneous influence toward dependent variable and regression model deserves tested.

	Model 1		Model 2		Hasil Hipotesis
	t-Statistics	Prob.	t-Statistics	Prob.	
CINT	4.179282	0.0002			H_1Ditolakberlawanan
KE	-4.483969	0.0001			H_2Diterima
FAM	4.584102	0.0000			H_3Ditolakberlawanan
CINT*FAM			2.918162	0.0060	H_4 Ditolakberlawanan
KE*FAM			-3.093900	0.0037	H_5Diterima
LEV	1.193031	0.2401	0.258930	0.7971	Tidakberpengaruh
SIZE	2.715049	0.0098	2.396338	0.0217	Berpengaruh

2. Uji Parsial (t)

Table8. t Test

Result of t test in Table 8 shows that t_{count} of capital intensity is 4.179282 with probability value of 0.0002 which is less than 0.05. This implies that capital intensity has significant positive influence toward Cash Effective Tax Rate in which when CETR increases, tax avoidance decreases. It is concluded from this that capital intensity exerts a significant as well as negative influence toward tax avoidance, meaning that the higher the capital intensity of a company, the lower the indication to practice tax avoidance because fixed asset is not merely useful for tax avoidance but for company's operation as well so as to increase company's income. Coal company could have more assets in its operation, e.g., mining properties needed to maximize production and increase company's revenue. Result of this research is in compatible with research by Lestariat al (2019) stating that high capital intensity could lower tax agressivity. Value of executive's characteristic is -4.483969 with probality of 0.0001 which is less than 0.05. This means that executive's characteristic exerts significant negative influence toward Cash Effective Tax Rate (CETR) wherein when CETR decreases, tax avoidance increases. It is concluded that executive's characteristic has positive as well as significant influence toward tax avoidance. The higher the corporate risk being the proxy of executive's characteristic, the more the tendency of executive's characteristic to be a risk taker or being more courageous to risk through tax avoidance practice. This apparently matches with research by Prawati and Hutagalung (2020) which states that executive's role is of great importance in company's decision-making process due to the existence of risk in all decisions, particularly the decision of minimizing tax expense. Executive having characteristic of being more courageous in making decision will minimize tax expense through tax avoidance practice.

Result of test in this research shows value of t_{count} of family ownership is 4.584102 with probabilty of 0.0000 which is less than 0.05. This means that family ownership has significant positive influence toward Cash Effective Tax Rate (CETR) wherein when CETR increases, tax avoidance decreases. It is concluded that family ownership has negative as well as significant influence toward tax avoidance which means that large family ownership in a company tends to reduce tax avoidance practice. This conclusion is compatible with research by Chen et al (2010) which states that company with family ownership structure tends to avoid risk in order to secure and inherit family's and company's reputation to the next generations. This is in contrast with result of research carried out by Masri and Martani (2014) which states that family ownership structure brings about (causes) a larger influence toward tax avoidance.

Product of t_{count} x FAM is 2.918162 with probabilty 0.0060. This depicts that significance level of capital intensity moderated by family ownership is less than 0.05. Owing to this fact, capital intensity moderated by family ownership has significant positive influence toward Cash Effective Tax Rate (CETR) wherein when CETR increases, tax avoidance decreases. It is thus concluded that family ownership strengthens positive inluence of capital intensity toward tax avoidance. High capital intensity in a company is not merely used as tax avoidance but as tax sheltering as well, or as legal tax management without losses and economic risk by utilizing depreciation expense on fixed asset. The fact is reinforced by an indication in the form of family company's tendency to avoid tax avoidance due to the risk posed by the avoidance (Chen at al, 2010).

Product of t_{count} KE x FAM is -3.093900 with probability of 0.0037. This indicates that significancy level of executive's character moderated by family ownership is less than 0.05. This means that executive's characteristic moderated by family ownership has significant negative influence toward Cash Effective Tax Rate (CETR) wherein when CETR decreases, tax avoidance increases. It is concluded that family ownership strengthens positive influence of executive's character toward tax avoidance. This is on line with H5 formulated earlier which implies that family ownership could strengthen positive influence of executive's character toward tax avoidance. This conclusion is supported by research by La et al (2010) in *Maharani and Juliarto* (2019)

which states that family could improve its strength in a company using high voting right or placing its members within Board of Directors and management to exacerbate decision making for the sake of minority.

Table 8 indicates as well the value of t_{count} of leverage control variable of 0.193031 with significancy of 0.2401 being larger than 0.05. In Table 2, value of leverage's t_{count} is 0.258930 with significancy of 0.7971 being larger than 0.05. Result of the two models indicates that leverage variable does not significantly influence tax avoidance. This implies that financing company's assets using debt does not affect tax avoidance practice. This conclusion matches with research by Cahyadi and Merkusiwati (2016) stating that a slew of debts given by outer party could bring about the profit of a company not optimal so the company would not use leverage to practice tax avoidance.

In addition, testing shows that control variable of company's size (SIZE) toward CETR on model 1 reveals significancy value of 0.00098 with t_{count} of 2.715049 whilst on model 2 reveals significancy value of 20.0217 with t_{count} of 2.396338. This indicates that variable of company size (SIZE) on the two models has significant positive influence toward Cash Effective Tax Rate (CETR) wherein when CETR increases, tax avoidance decereases. It can be concluded that variable of company size has significant negative influence toward tax avoidance, meaning that the larger the size of a company, the lower the level of its tax avoidance. The larger the size of a company the higher the company's tendency to maintain in the eyes of public the image or reputation it has erected and to avoid risky activities such as tax avoidance.

The result of this research matches with research carried out by Praditasari and Setiawan (2017) stating that the larger the size of a company, the stricter the government's effort to supervise it so that a big company tends to pay off large effective tax rate and avoid tax avoidance practice. The Indonesian government will strictly supervise the activities of Indonesian coal companies which are the third largest coal company in the world, particularly in complying with tax.

IV. Conclusion and Sugestion

5.1 Conclution

Conclution of this research is as follows.

1. **The Influence of Capital Intensity toward Tax Avoidance**
   Capital intensity has significant negative influence toward tax avoidance. This means that company's investment in the form of fixed asset precisely lowers tax avoidance practice since fixed asset in a company is not merely used for tax avoidance but required indeed in company's operation to increase income and bussiness' profit. It is concluded finally that H1 is rejected.

2. **The Influence of Executive's Characteristic toward Tax Avoidance**
   Executive's Characteristic has significant positive influence toward tax avoidance . This means that the more the tendency of the executive's behaviour to be classified as risk taker, the higher the executive's tendency to make risky decisions in company, particularly avoiding tax (tax avoidance). H2 in this research is thus rejected.

3. **The Influence of Family Ownership toward Tax Avoidance**
   Family influence has significant negative toward tax avoidance. This means that the larger the family ownership percentage in the company, the lower the tendency of tax avoidance practice taking place in the company. That is due primarily to the tendency of family company avoiding the risk in order to maintain company's reputation to be inherited to the next generation. It is concluded that H3 in this research is rejected.

4. **The Influence of Capital Intensity toward Tax Avoidance moderated by Family Ownership**
   The result of research shows that family ownership strengthens negative influence of capital intensity toward tax avoidance. This means that capital intensity in a company is not merely used to practice tax avoidance but can be used legally as tax sheltering or tax management as well without causing losses and economic risk by exploiting depreciation expense on fixed asset in the form of depreciation, amortization as well as depletion which can be used by coal company as tax sheltering. This fact is strengthened by the indication that family company tends not to practice tax avoidance in order to avoid risk. It is then concluded that H4 in this research is rejected.

5. **The Influence of Executive's Characteristic toward Tax Avoidance moderated by Family Ownership**
   Result of this research indicates that family ownership strengthens the positive influence of executive's characteristic toward tax avoidance meaning that family company has strength to place its family member in board of directors and management enabling to choose executive being risk taker in characteristic who

tends to be courageous making risky decision such as tax avoidance. It is concluded that H5 in this research is accepted.

5.2 Suggestion

Benefits expected from this research are *inter alia*:

1. **Theoretical Aspect**

Based on the result of data analysis and conclusion, the facts the researcher should know are as follows.

a. This research uses only coal company as sample so that its result can not be generalized for types of other industries.
b. A longer period of observation is needed in order to get reliable information for more accurate research.
c. In this research, CETR proxy depends on the amount of tax ratio regulated by the government to indicate tax avoidance in company. The next researchers are expected to use another proxy as an accurate standard of comparison.

2. **Practical Aspects**

a. The government is expected to use the result of this research as an input to more intensively supervise the tax avoidance practised in company possessing high corporate risk being proxy for executive's character, for the achievement of maximum result.
b. A company should pay more attention to the actions carried out by a company along with the risks it will bear.

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