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Original Research Article

Does Corporate Transparency Moderate Factors Affecting Tax Avoidance? Empirical Study of Indonesian Coal Mining Companies

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Abstract

The purpose of this research is to examine and analyze influence of company size, and leverage on tax avoidance with company transparency as a moderating variable in mining companies listed on the Indonesia Stock Exchange in 2015 – 2019. Data is obtained by accessing the company's financial statement and annual reports through the company's website or *www.idx.co.id*. The research sample was searched by purposive sampling methode using criteria so that 9 sample companies are obtained for 5 years of observation (2015-2019). The data analysis methode used is the path analysis methode with Partial Least Square which processed using SmartPLS 3.0 software. The result of this research indicates that the size of the company has a significant effect on tax avoidance. Leverage has no effect on tax avoidance. Corporate transparency cannot moderate the effect of company size on tax avoidance, but corporate transparency can weaken the effect of leverage on tax avoidance.

Keywords: Company Size, Leverage, Tax Avoidance, and Company Transparency.

1. INTRODUCTION

The contribution of Indonesia's tax revenue dominates state revenue; even from year to year it continues to increase. Of the total state revenue of 2,233.2 trillion rupiah in the 2020 state budget, 1,865.7 trillion rupiah or 83.5% of it came from taxation. It means the source of this state's funding comes mostly from taxes.

Prianto (2016) revealed that the Directorate General of Taxes tries to increase tax revenues, while companies as tax payers often try to keep their tax payments to a minimum. According to Waluyo (2017), tax avoidance is said to be a transaction scheme to reduce the amount of taxes by taking advantage of loop holes in existing regulations in a country. Tax loophole is described in the Collins Dictionary as a legal way to avoid paying taxes or part of a tax bill due to gaps in tax provisions (Prianto, 2016).

The practice of tax avoidance is related to tax planning. Conceptually, tax planning includes permanent tax deductions and the possibility of deferral. Tax avoidance can be obtained from tax planning by involving several concepts such as: utilizing tax exemptions, reducing overall tax rates, maximizing income reduction, accelerating expenditures, delaying tax objects, structuring taxable transactions to become non-taxable, and so on. Darussalam *et al.,* (2010) mentions that for Foreign Direct Investment, especially in the form of subsidiary companies, the tax planning it does involves the regulation of more than one country which is often known as international tax planning.

According to Ganiswari & Sasongko (2019), one of the sectors that has the potential to carry out tax avoidance is the mining sector company. The mining and energy sector is one of Indonesia's mainstay strategic sectors. However, the management of this sector is not transparent enough so that the potential for tax revenue for the state is not yet optimal.

The phenomenon of tax avoidance in Indonesia, one of which is based on an investigative report issued by the International NGO Global Witness regarding tax avoidance by the coal mining company PT Adaro Energy Tbk. The tax avoidance is carried out by means of a transfer pricing scheme through a subsidiary located in Singapore. As a result of this transaction, there is a potential for lower than expected tax payments of USD 125 million to the Indonesian government in the period 2009 – 2017. This method

does not violate the rules, but it is unethical to do so. Because companies that gain profits through resources in Indonesia, but the tax revenue received by the state is not optimal. Instead, the profits go to countries with lower taxes.

Indications of the practice of tax avoidance in the mining sector were strengthened by the presentation of the Minister of Finance of the Republic of Indonesia before Commission XI of the Indonesian People's Representatives Council (DPR-RI), when reporting on the realization of the 2020 State Budget, which stated that there was a significant decline in tax revenues from the mining sector. Based on data from the Ministry of Finance, in 2020 tax revenues from the mining sector decreased by 43% compared to 2019 revenues.

Indications of tax avoidance can also be deduced from the low tax ratio in Indonesia. From the 2020 State Budget data, in the last five years the tax ratio in Indonesia is still low below 15%, even the tax ratio in 2020 is only 11.6%. Anouar & Houria (2017)states that the low tax ratio also indicates the low level of taxpayer compliance. Tax payers consider taxes as a burden that can hinder the development of their companies.

Various factors that influence tax avoidance have been widely studied by previous researchers, and until now the issue of tax avoidance is still interesting to study because taxes are always a matter of debate between tax authorities and taxpayers. Many studies use the effective tax rate (ETR) as a proxy for tax avoidance. ETR is the ratio of total tax expense to profit before tax. The lower the ETR value means the higher the company's tendency to make tax avoidance efforts (Rani *et al.,* 2018). Ribeiro *et al.,* (2015) revealed that company size is one component that is expected to affect the effective tax rate. Research on the effect of company size on tax avoidance finds mixed results. Some conclude that there is a positive effect between company sizes (SIZE) on tax avoidance. As research Salaudeen & Eze (2018), Ogbeide (2017), and Ilaboya *et al.,* (2017). Otherwise Rani *et al.,* (2018) and Irianto *et al.,* (2017) found a negative effect of firm size (SIZE) on tax avoidance.

In addition to company size, leverage is also a component of company characteristics that are expected to influence tax avoidance. Research conducted by Salaudeen & Eze (2018), Ilaboya *et al.,* (2017), and Siregar & Widyawati (2016) found that leverage is significant and has a negative effect on tax avoidance. Otherwise Rani *et al.,* (2018) and Irianto *et al.,* (2017) found a positive effect of leverage on tax avoidance.

This research also examines the relationship between corporate transparency and the factors causing tax avoidance. according to Tarihoran (2016), transparency is the disclosure of information in the decision-making process and disclosure of the materiality and relevance of company information to outside parties. While research conducted by Savitra & Andyarini (2020) shows that corporate transparency is able to moderate the effect of company size on tax avoidance, but corporate transparency is not able to moderate the effect of leverage on tax avoidance.

This research wants to examine and analyze the significance level of the effect of company size, and leverage on tax avoidance. Research on this specifically has been carried out by Selviani et al. (2018) with a population of chemical sub-sector companies. What distinguishes it from previous studies; the population in this research is mining companies, and adds company transparency as a moderating variable.

2. LITERATURE REVIEW

Stakeholder Theory

Stakeholder theory was developed from the view of the relationship between the company and all stakeholders. Companies are required to pay attention to interested parties, not limited to investors. In addition to ethical demands, this is expected to bring economic benefits and maintain the company's sustainability.

In the stakeholder theory, Donaldson & Preston (2016) explains that stakeholders will affect the performance of an organization, therefore managers are responsible for providing benefits to all parties with an interest in organizational performance. These parties include people or groups who have an interest in and are involved with the organization.

In relation to tax avoidance, stakeholder theory describes that the government as a stakeholder has an interest in the company. The government expects the company's contribution from tax revenue, while management considers tax as a burden on the company and becomes a profit deduction, thus management tries to minimize tax costs by practicing tax avoidance, while still complying with the provisions set by the government.

Political Cost Theory

Political cost theory is a theory related to company size. according to Jensen & Meckling (1976), that the larger the scale of a business entity will have a wider level of public visibility and therefore will be more highlighted by the public and get more social pressure than smaller companies.

The reasons behind political cost theory can be divided into 2 main opinions. First, larger companies are subject to greater government regulation than smaller companies. Second, they are politically more vulnerable to public pressure and scrutiny, which forces them to socially responsibilities, and behave in accordance with the expectations of their social environment (Belz *et al.,* 2015).

Political cost theory can be tested empirically by considering the relationship between tax as a component of political costs and firm size. Belz *et al.*, (2015) revealed that if the larger the scale of the company will face a higher Effective Tax Rate (ETR) than the smaller company, it means that the results of the study are consistent with the theory of political costs, as found in the research Ribeiro *et al.,* (2015), Ogbeide (2017), and Salaudeen & Eze (2018).

Trade-off Theory of Leverage

Sjahrial (2014) defines leverage as use of the company's sources of funds from loans with interest as a fixed expense to increase the potential profits of shareholders. This theory can also be interpreted as a theory of capital structure. Where company's capital comes from internal (shares) and comes from external (debt).

In the Trade-off theory of Leverage, the company combines (trade-off) the benefits of debt financing in this case reducing corporate taxes with higher interest rates and bankruptcy costs. This theory states that in financing with debt, companies must take into account costs and benefits. The costs arising from financing with debt are interest expense and the increased risk of bankruptcy, while the benefit is a benefit in the form of tax reduction from interest expense as a deductible expense. (Ardiansyah, 2018).

Tax Avoidance (Tax Avoidance)

According to Waluyo (2017), tax avoidance is said to be a transaction scheme to reduce the amount of taxes through the use of loopholes on the tax provisions of a country. Tax loophole is described in Collins Dictionary as a way to avoid paying taxes legally due to gaps in tax provisions (Prianto, 2016). So that this tax avoidance practice does not violate existing rules, the company must make tax management. Pohan (2015) explained that tax management is the effort of tax managers in managing corporate taxation efficiently and economically, in order to maximize the contribution to the company.

Research by Salaudeen & Eze (2018) of 59 non-financial business entities listed on the Nigerian Stock Exchange in the period 2010 - 2014, proved that during the research period, the Effective Tax Rate (ETR) of these companies was lower than the tax rate according to the applicable law (Statutory Tax). Rates). This shows an indication of the company's efforts to minimize its tax burden. Finding Ogbeide (2017) also proves that the average ETR of the companies studied is 24.37% lower than the statutory tax rate of 30%. These results indicate the high tax aggressiveness of these companies. It can be concluded that companies that have tax management experts and tax consultants who implement legal strategies that take advantage of loopholes in tax regulations (loopholes) to minimize tax liability, can increase their net income and maximize welfare for shareholders.

Company Size

Company size is defined as a scale that classifies the size of the company according to various criteria such as total assets, average level of sales, number of sales, and market share prices. Generally, the scale of the company is divided into 3 groups, namely large companies, medium companies, and small companies. (Agustina & Aris, 2016).

Research shows that company size as measured by total assets has a correlation with reduced tax liability. As research Ogbeide (2017), Ilaboya *et al.*, (2017), Ganiswari & Sasongko (2019), and Salaudeen & Eze (2018). Therefore, this study uses the LN Total Assets formula as an indicator of company size.

Leverage (Solvency Ratio)

The source of funds owned by the company usually comes from the capital of the founders or their own capital and there are also funds that come from loans. Where when the company finances its business with a loan, the company has an obligation to pay off the loan accompanied by interest on the loan. Leverage arises because of the use of assets owned by the company obtained from borrowed funds or what we call debt.

Creditors generally do not want to provide loans without the protection provided by equity financing. Leverage refers to the loan amount in the company's capital structure. This shows that the company uses capital as a loan base in the hope of reaping a surplus of returns (Subramanyam, 2014). This research uses the Debt to Assets Ratio (DAR) as an indicator of leverage to see the level of risk of the company as measured by comparing the company's total debt with the company's total assets, as research conducted by Batmomolin (2018).

Corporate Transparency

According to Tarihoran (2016), transparency is defined as the availability and disclosure of information to outside parties, in making decisions as well as in disclosing the materiality and relevance of company information. Disclosure of information includes general description, vision and mission, composition of management, business objectives, financial condition, share ownership by members of the board of directors and commissioners and their families in companies and other companies that have conflicts of interest, system of supervision and internal control, system and implementation of GCG as well as level of compliance, and important events that can affect the condition of the company (Zarkasyi, 2008). Tarihoran (2016) measure the company's transparency with the formula:

$Transparency = \frac{n}{k}$

n = Score of voluntary disclosure reported by the company.

k = The total score of voluntary disclosure determined in the study.

3. CONCEPTUAL FRAMEWORK AND HYPOTHESES

The company's goal is to maximize profits and minimize all expenses that arise, including the tax burden. Efforts to reduce the tax burden can be done with tax avoidance, namely the avoidance of paying taxes without violating existing regulations. The interests of this company are in contrast to the interests of the government as a stakeholder who wants to collect as much tax as possible and make taxes the main target of state revenue. According to research conducted by Selviani *et al.,* (2018), the factors that can affect tax avoidance are company size and leverage. The factor of company size and leverage tend to influence the occurrence of tax avoidance by the company. The framework of this research can be explained as follows:

Effect of Firm Size on Tax Avoidance

According to political cost theory, naturally larger companies with a visible track record of success will be more highlighted and exposed to better political scrutiny which tends to reduce opportunities for tax aggressiveness (Ogbeide, 2017). Political cost theory can be tested empirically by considering the relationship between tax as a component of political costs and firm size. If a larger company will face a systematically higher Effective Tax Rate (ETR) compared to a smaller company, it means that the research results are consistent with the political cost theory (Belz *et al.,* 2015).

In fact, studies examining the relationship between company size and tax avoidance show mixed results. Research results that show a positive effect of firm size on tax avoidance, among others, were carried out by Salaudeen & Eze (2018), Mourikis (2016), Ribeiro *et al.,* (2015), Ogbeide (2017), and Ilaboya *et al.,* (2017).

On the other hand, the results of research showing the negative effect of firm size on tax avoidance were among others carried out by Rani *et al.,* (2018), and Irianto *et al.,* (2017). In contrast to the research conducted by Ariani & Hasymi (2018), which concludes that there is no effect between firm size (SIZE) on tax avoidance.

Effect of Leverage on Tax Avoidance

Based on the Trade-off Theory of Leverage, it can be concluded that the tax factor plays a role in determining the high level of leverage. This theory says that the greater the proportion of debt will increase the benefits and value of the company as a result of the tax reduction (tax shield) while still taking-into account the risk of bankruptcy (cost of bankruptcy). In this case, the company tends to increase financing with debt and minimize financing with equity.

Companies with high levels of leverage are faced with high interest expenses. While interest expense is tax deductible, it tends to earn a lower ETR. Leverage can affect the operations, profitability and size of a company. Companies that use large amounts of debt, either short-term or long-term debt often enjoy tax protection and always try to reduce the amount of tax payments (Ogbeide, 2017). It can be indicated that companies that have a high level of leverage try to avoid tax on the tax regulations that are applied.

Research conducted by (Salaudeen & Eze, 2018), (Mourikis, 2016), (Ribeiro *et al.,* 2015), (Ogbeide, 2017), (Anouar & Houria, 2017), and (Ilaboya *et al.,* 2017) found that leverage is significant and has a negative effect on tax avoidance.

On the other hand, research conducted by Rani *et al.,* (2018), and Irianto *et al.,* (2017), found a positive effect of leverage on tax avoidance, which means that if the company's leverage increases there will be an increase in the value of the effective tax rate (ETR) which indicates that the company reduces tax avoidance measures. While the research conducted by Novita *et al.,* (2019) and Batmomolin (2018) shows that there is no effect between the size of leverage on tax avoidance.

The Relationship of Corporate Transparency to Tax Avoidance

One of the principles of corporate governance is corporate transparency. Transparency is the disclosure of information both in the decision-making process and in disclosing material and relevant information about the company to outside parties (Tarihoran, 2016).

One of the efforts to control conflicts of interest and fulfill the interests of stakeholders is good corporate governance. In his research, Tarihoran (2016) make corporate transparency as a moderating effect of tax avoidance and leverage on firm value. Temporary Ilaboya *et al.,* (2017) make good corporate governance a moderating influence of company characteristics on tax avoidance.

Based on literature studies and previous research, it is known that the factors of company size and leverage tend to influence the occurrence of tax avoidance by companies. The conceptual framework of thought in this research can be described as follows:

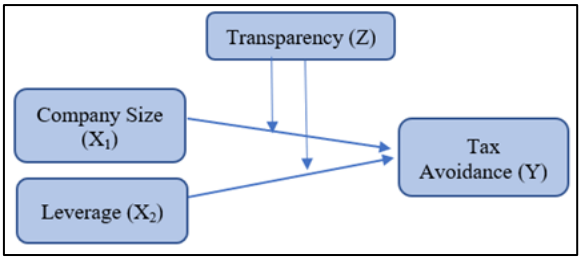

Fig. 1: Framework

Based on the framework above, the research hypotheses proposed are:
H1: Firm size has a positive effect on tax avoidance.
H2: Leverage has a negative effect on tax evasion.
H3: Corporate transparency can moderate the effect of firm size on tax avoidance.
H4: Corporate transparency can moderate the effect of leverage on tax avoidance.

4. RESEARCH METHOD

Variables and Variable Measurement

This study uses two independent variables (X) namely firm size and leverage, one dependent variable (Y) tax avoidance and one moderating variable (Z) corporate transparency. These variables can be explained as follows:

Company Size

Company size is a scale that can classify companies into large and small companies according to various ways such as total company assets, stock market value, average level of sales and number of sales. According to Agustina & Aris (2016) Company size is generally divided into 3 categories, namely large firms, medium firms and small firms. The indicators to measure this variable are:

Company Size =*Ln Total Assets*

Leverage

According to Sjahrial (2014), leverage is the use of assets and sources of funds by companies that come from loans because they have interest as a fixed expense with a view to increasing the potential profits of shareholders. Subramanyam (2014) mentions that financial leverage refers to the amount of borrowing in the company's capital structure. The indicators used to measure this variable are:

$$Debt\ to\ Assets\ Ratio = \frac{\text{total utang}}{\text{Total Aset}}$$

Tax Avoidance

According to Sugiyono (2018) the dependent variable or the dependent variable is the variable that is the result of or is influenced by the independent variable. These variables are often referred to as output variables, criteria, or consequences. In this study, the dependent or dependent variable (Y) is tax avoidance. The indicators used to measure this variable are:

$$ETR = \frac{Tax\ Expense}{Income\ before\ tax}$$

Moderator Variables

According to Sugiyono (2018) moderator variable is a variable that can strengthen or weaken the influence or relationship between the independent variable and the dependent variable. This variable is also referred to as the second independent variable. In this study, the moderating variable (Z) is company transparency. This indicator of company transparency is measured by the formula:

$$Transparency = \frac{n}{k}$$

n= the number of voluntary disclosures made by the company.
k= Total voluntary disclosure required in the study.

Population and Research Sample

This research makes the mining sector companies listed on the Indonesia Stock Exchange for the period 2015-2019 as the population. The sample was obtained by purposive sampling technique through consideration of the following criteria: 1) Coal mining companies listed consecutively on the Indonesia Stock Exchange in the 2015-2019 periods, 2) Coal mining companies that did not suffer losses during the period, 3) The Company presents financial statements in US Dollars. After making observations from 49 companies, 9 sample companies were obtained, so that the total observations within a period of 5 years from 2015-2019 were 45 observations.

Analysis Method

Data were analysed by path analysis using Smart PLS 3.0 software. The path analysis technique in PLS is in the form of outer model and inner model. The outer model specifies the relationship between latent variables and their indicators (measurement model), while the inner model specifies the correlation between latent variables (Ghozali & Kusumadewi, 2016).

Measurement model or Outer Model

The measurement model aims to test the validity and reliability of each indicator on the latent variable. This test should be carried out for the reflective indicator type, on the contrary for the formative indicator, this validity and reliability test is not required. According to Ghozali & Kusumadewi (2016), to obtain the significance of the weight must go through a resampling procedure (jackknifing or bootstrapping). In addition, a multicollinearity test for formative constructs is required by calculating the Variance Inflation Factor (VIF) value with a recommended value of < 10 or < 5.

Structural Model (structural model) or Inner Model

The inner model is evaluated by looking at the percentage of variance that is explained by looking at the R- Square value in the latent endogenous construct or the dependent variable to test its predictive relevance, and the t- statistical significance by using resampling procedures such as bootstrapping to obtain stability from the estimate. The test for the inner model is:

a) *Estimate for Path Coefficients*, is the value of the path coefficient or the magnitude of the relationship/influence of the latent construct.
b) *Fit Models*, or called goodness of fit is done to find out the goodness of the model. This test was measured using the dependent latent variable R-square with the same interpretation as the regression. R-square value > 0 indicates the model has predictive relevance, otherwise if the R-square value < 0 indicates the model lacks predictive relevance. The goodness of fit test can also be seen from the Standardized Root Mean Square Residual (SRMR) value and the NFI value. The expected value is that the SRMR is less than 0.1 and the NFI value is between 0 and 1. The NFI value is closer to 1, the better this model is.

5. RESULTS AND DISCUSSION

Descriptive Analysis

Table 01: Descriptive Statistics

VARIABLE	SIZE (X1)	DAR (X2)	TRANS (Z)	TA (Y)
Minimum	18.406	0.144	0.720	0.058
Maksimum	22.700	0.584	0.840	0.914
Mean (Avg)	19.846	0.356	0.782	0.352
Std_Deviasi	1.236	0.114	0.035	0.158

Descriptive statistics are needed to describe in general the data collected. Description of the data regarding the mean, maximum, minimum and standard deviation of each variable. Descriptive statistical test can be seen in table 1 and here's the explanation:

a) The mean value of company size is 19,846, the highest value is 22.7 for PT Adaro Energy Tbk. in 2019, the lowest value was 18,406 for PT Resource Alam Indonesia Tbk. in 2015 and 2016. The standard deviation of 1,236 indicates good company size data, with the standard deviation value being lower than the average.
b) Leverage has a mean value of 0.356, the highest value is 0.584 for PT TBS Energi Utama Tbk. in 2019, the lowest value for leverage was 0.144 at PT Resource Alam Indonesia Tbk. 2016. The standard deviation of 0.114 indicates good leverage data, with the standard deviation value being lower than the average.
c) Corporate transparency has a mean value of 0.782, the highest value is 0.840 for PT Adaro Energy Tbk. in 2019, PT Baramulti Suksessarana Tbk. in 2019, PT Samindo Resources Tbk. in 2018 and 2019, and the lowest value was 0.720 for PT Baramulti Suksessarana Tbk. in 2015 and 2016, PT Darma Henwa Tbk. in 2015, 2016, and 2017, PT Mitrabara Adiperdana Tbk. in 2015-2017. Standard deviation of 0.035 indicates good company transparency data, with a standard deviation value lower than the average.
d) The Effective Tax Rate has a mean value of 0.352, the highest value is 0.914 for PT Darma Henwa Tbk. in 2015 and the lowest was 0.058 for PT Darma Henwa Tbk. in 2019. A standard deviation of 0.158 indicates good tax avoidance data, with a standard deviation value that is lower than the average.

Evaluation of Structural Model or Inner Model

The structural model test explains the results of the path coefficient test and the goodness of the model. The evaluation of the Inner model can be seen in the percentage of variance in the R-Square value of the endogenous construct or the dependent variable as a test of predictive relevance, as well as the significance of t-statistics through bootstrapping procedures to obtain a stable estimate.

Path Coefficient Test

Testing the path coefficient to show the strength of the effect of the independent variable on the dependent variable. Schematic of the inner model in Fig. 2 explains that the path coefficient of the influence of firm size on tax avoidance is 2.05 greater than the path coefficient of the influence of leverage on tax avoidance of 0.766. While path coefficient value of the influence of company transparency which is a moderating variable on tax avoidance shows the highest value of 3,113. The two independent variables show a positive path coefficient, which means the greater the path coefficient value, the stronger the influence of one independent variable on the dependent variable.

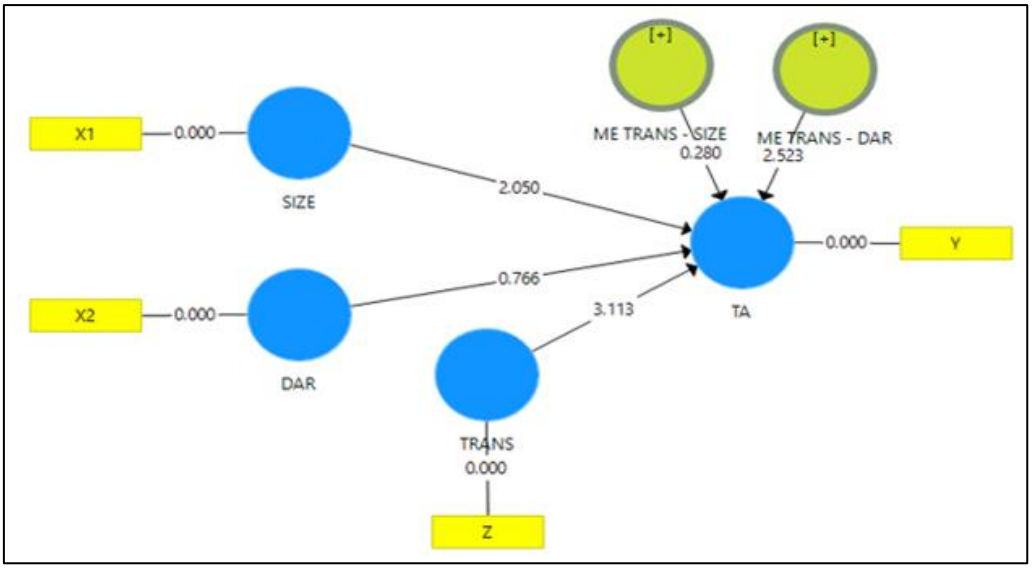

Fig. 2: Inner Model

Test Goodness Model (Goodness Fit).

The magnitude of the coefficient determination (R-Square) is intended as a measure of the number of dependent variables influenced by other variables, with the same interpretation in the regression. The model is said to have predictive relevance if the R-square value > 0 and if R-square 0 indicates the model lacks predictive relevance. In table 4.2., R-Square 0.384 explains the effect of firm size (X1), leverage (X2), and firm transparency (Z) with a value of 0.384 with the interpretation that the dependent variable can be explained by the independent variables of 38.4% and 61.6% explained through other variables outside the study.

The Adjusted R-Square value of 0.305 indicates that there is a 30.5% variation in the Y variable which is explained by the independent variable, and the rest is explained by other variables. The Adjusted R-Square value interval is between 0 – 1. The closer to 1, the better the independent variable (X) explains the variation of the dependent variable (Y).

Table 02: R-Square

DEPENDENT VARIABLE	R-SQUARE	ADJUSTED R-SQUARE
TAX AVOIDANCE (TA)	0.384	0.305

Hypothesis Test

This study proposes 4 hypotheses. Hypothesis testing can be done by looking at the P values, or by comparing the t-statistics values generated from SmartPLS with the t-table values. This hypothesis can be declared accepted if the P value < 0.05, or if the t-statistic value > t-table. The direction of the influence of the independent variable on the dependent variable can be seen through the value of the original sample.

Hypothesis Testing 1: The Effect of Company Size on Tax Avoidance

In table 03 it can be seen that the 1st hypothesis which examines the effect of firm size on tax avoidance, shows the original sample value of 0.326, the t-statistic value of 2.012 and the P value of 0.045. The measurement results show that the t-statistic value of the influence of company size on tax avoidance is greater than the t-table value (significance level 5% = 1.96) which is 2,012 and P value < 0.05, then the first hypothesis in this study is accepted.

Hypothesis Testing 2: The Effect of Leverage on Tax Avoidance

The second hypothesis, which examines the effect of leverage on tax avoidance, shows that the original sample value is 0.119, the t-statistic value is 0.743 and the P value is 0.458. The measurement results show that the t-statistic value of the effect of leverage on tax avoidance is smaller than the t-table value (significance level 5% = 1.96) which is 0.743 and P value > 0.05, and then the second hypothesis in this study is rejected.

Testing Hypothesis 3: The Effect of Company Size on Tax Avoidance with Corporate Transparency as a Moderating Variable

The results of the PLS Bootstraping output to test the H3 hypothesis using moderating variables can be seen in the moderating effect in table 03. namely "ME TRANS - SIZE→TA" which means the relationship between the Moderated Effect of the Firm Transparency and Company Size variables with the Tax Control variable, shows the original sample value of -0.080, the t-statistic value of 0.289 and the P value of

0.773. The measurement results show that the value of t-statistic < t-table (significance level 5% = 1.96) and P value > 0.05, then the third hypothesis in this study is rejected.

Hypothesis Testing 4: The Effect of Leverage on Tax Avoidance with Corporate Transparency as a Moderating Variable

The results of the PLS Bootstraping output to test the H4 hypothesis using moderating variables can be seen in the moderating effect in table 03. namely "ME TRANS - DAR→TA" which means the relationship between the Moderated Effect of the Corporate Transparency and Leverage variables with the Tax Control variable, shows the original sample value of -0.539, the t-statistic value of 2.451 and the P value of 0.015. The measurement results show that the value of t-statistic > t-table (significance level 5% = 1.96) and P value <0.05, then the fourth hypothesis in this study is accepted.

DISCUSSION

Effect of Company Size on Tax Avoidance

Table 03 shows the test of the effect of company size on tax avoidance with the original sample value of 0.326, t-statistics of 2.012, and P value of 0.045. The t-statistic value is greater than the t-table (sig. 5% = 1.96 level) which is 2,012, and the P value < 0.05, meaning that the first hypothesis is accepted. This finding shows a significant positive effect of company size on tax avoidance in coal mining companies. This means that the larger the scale of the company will face a higher Effective Tax Rate and the higher the ETR, the lower the potential for tax avoidance.

This research confirms the theory of political costs where the results illustrate those large companies with a visible track record of success will be highlighted by stakeholders and are exposed to better political scrutiny which tends to reduce opportunities for tax aggressiveness. Moreover, coal mining sector companies are often highlighted by the public with many export.

Table 03: Value of Inner Weights

Path Coefficient	Original Sample (O)	t Statistics ([O/STDEV])	P-Values	NOTES
SIZE →TA	0.326	2012	0.045	Significant
DAR → TA	0.119	0.743	0.458	Not significant
TRANS → TA	-0.539	2,910	0.004	Significant
ME TRANS - SIZE → TA	-0.080	0.289	0.773	Not significant
ME TRANS - DAR → TA	-0.539	2.451	0.015	Significant

Transactions involving parties affiliated abroad. The results of this research are in line with research Salaudeen & Eze (2018), who examined a sample of non-financial companies on the Nigerian Stock Exchange in 2010-2014 and found a significant positive effect of firm size on the Effective Tax Rate (ETR), but not in accordance with the research Fitria (2018) which states that the greater the assets owned by the company, the greater the operational costs so that it is possible for the company to avoid tax.

The Effect of Leverage on Tax Avoidance

In table 03, the test of the effect of leverage on tax avoidance gets the original sample value of 0.119, t-statistics of 0.743, and P value of 0.458. The t-statistic value is below the t-table value, and P value > 0.05, meaning that the second hypothesis is rejected. This finding shows that leverage has no effect on tax avoidance in coal mining companies, with the interpretation that the size of debt (leverage) has no effect on the level of the Effective Tax Rate (ETR) so that it does not indicate any tax avoidance.

Not influential leverage can occur because companies use debt not only for working capital, but companies use debt for long-term investment, so that interest expense is not recorded on only one financial reporting period and had little impact in reducing the corporate tax burden. Interest on loans for these investments can also be capitalized so that they do not appear on the income statement. This finding does not support the theory of Trade-off Theory of Leverage which concludes that the greater the proportion of debt will increase the benefits and value of the company as a result of tax reduction (tax shield). The existence of a debt-to-equity ratio limit recognized by the tax authorities in Indonesia plays a role in the selection of the company's capital structure. Companies prefer to increase capital from shares compared to debt to avoid the risk of financial difficulties. These results are in line with the research of Novita *et al.,* (2019), which examined 29 property and real estate sector companies on the Indonesia Stock Exchange in 2015-2017, found that there was no effect of the size of leverage on tax avoidance, but did not support Sormin's (2019) research which concluded that the higher the debt used to finance tax evasion, fund the company's assets, the company has the potential to avoid tax through the imposition of debt interest costs.

The Effect of Company Size on Tax Avoidance by Moderating Corporate Transparency

Testing the effect of moderation "ME TRANS - SIZE to TA" which means the relationship between Moderated Effect variables Corporate Transparency and Company Size variable Tax Control, get the value of the

original sample - 0080, t-statistic 0289, and a P value of 0773. The t-statistic value is below the t-table, and P value > 0.05, it means that the third hypothesis is rejected. These results can be interpreted that corporate transparency cannot strengthen or weaken the effect of company size on tax avoidance.

This finding indicates that larger companies will provide more disclosure of information to their stakeholders than small companies, so that with or without transparency within the company it will not affect the company's efforts to avoid tax. These results are in line with the research of Soviana *et al.*, (2018) which examines a sample of 21 coal mining companies on the Indonesia Stock Exchange in 2014-2018 which concludes that company transparency cannot moderate the effect of company size on tax avoidance.

The Effect of Leverage on Tax Avoidance by Moderating Corporate Transparency

Testing the moderating effect of "ME TRANS - DAR →TA" which means the relationship between the Moderated Effect of the Corporate Transparency and Leverage variables with the Tax Control variable, getting the original sample value -0.539, t-statistic 2.451 and P value 0.015. The t-statistic value is above the t-table value, and P value <0.05, indicating that the fourth hypothesis is accepted. These results can be interpreted that corporate transparency is able to weaken the effect of leverage on tax avoidance. This also indicates that the wider the disclosure of company information, the management will be more careful in using capital from debt and will not take high risks to carry out tax avoidance activities to reduce their tax burden, because they will be burdened with interest which if not managed properly will result in financial difficulties. Savitra & Andyarini (2020) who examined a sample of 33 manufacturing companies on the Indonesia Stock Exchange in 2016-2018 which concluded that company transparency could not moderate the effect of leverage on tax avoidance.

6. CONCLUSION

The hypothesis test concludes that there is a significant positive effect of company size on tax avoidance, which indicates that the larger the size of a company, the higher the Effective Tax Rate (ETR), which means that the company's potential for tax avoidance is also lower. Meanwhile, Leverage has no effect on tax avoidance, which means that the level of corporate leverage has no impact on the Effective Tax Rate (ETR). The results of the interaction between corporate transparency and company size show that corporate transparency cannot moderate the effect of company size on tax avoidance, which means that the size of the effect of company size on tax avoidance is not influenced by the extent of company information disclosure. While the value of the interaction between corporate transparency and leverage shows that corporate transparency can moderate the effect of leverage on tax avoidance.

Based on the conclusions from the results of the research above, here are some suggestions for further research and for investors, as follows:

a) For further research

The results of this study illustrate that the level of corporate leverage has no effect on tax avoidance efforts. This rejects the hypothesis and does not support the proposed theory. Therefore, it is recommended for further researchers to re-research with different methods or increase the time span of the research, so that it can support the proposed theory or even bring up a new theory that is empirically tested.

b) For Investors

The results of this study indicate that the larger the size of the company, the lower the potential for tax avoidance. Therefore, investors who are concerned about tax avoidance are advised to consider the size of the company in making their investment decisions.

LIMITATIONS

This study has limited information about how companies manage their tax burden, and the population is limited to the coal mining business sector, therefore the results of this study do not reflect the conditions of other industries in general.

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