Determinants of Tax Avoidance: Evidence from Indonesian Listed Companies

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Abstract
Tax avoidance is an effort to minimize the tax paid to remain within the frame of taxation provisions—methods and techniques performed by exploiting weaknesses in tax laws and regulations. Thin capitalization, profitability, and operating cash flow have opportunities to conduct tax avoidance practices to minimize the tax burden that companies should pay. The purpose of this study was to test and obtain empirical evidence of the influence of independent variables on dependent variables in food and beverage sub-sector manufacturing companies listed on the Indonesia stock exchange in 2015-2019. This quantitative analysis uses purposive sampling techniques with a total of nine samples of food and beverage sub-sector manufacturing companies listed in IDX. The results showed that based on the results of thin capitalization testing does not affect tax avoidance. Profitability affects tax avoidance. Operating Cash Flow affects tax avoidance. The results of this study are expected to be used as a reference to the performance of companies, especially food and beverage sub-sector companies, to be more careful in making decisions on tax avoidance practices that will impact the company's reputation.

Keywords
Operating Cash Flow, Profitability, Tax Avoidance, and Thin Capitalization.

1. Introduction
Tax is one of the sources of state revenue used in state spending that aims to support the state's activities and the welfare of its citizens. According to Article 1 Number 1 of Law No. 6 of 1983 as amended several times, namely Law No. 16 of 2009 concerning General Provisions and Procedures of Taxation, tax is a mandatory contribution to the state-owned by a person or entity that is coercive under the law, by not getting directly rewarded and used for state purposes for the greatest prosperity of the people. Pusparisa (2021) realization of state revenues dominated by tax revenues. In 2020, tax receipts amounted to Rp 1,070 trillion, a nominal decrease of 19.7% from last year's income due to business tax stimulus, so tax receipts should be optimized. Taxes have the highest percentage in the State Budget (APBN) compared to other revenues. Without taxes, most state activities will be challenging to realize.

Taxes in the levy run into various obstacles and obstacles. Corporate tax is one of the factors to consider because taxes are considered a burden that can affect the company's survival (Dewinta and Setiawan 2016), so they look for weaknesses of the tax regulations to reduce or minimize the nominal tax burden that should be paid. The disadvantage of the tax regulation in question is the existence of rules that do not explain the existing rules thoroughly to utilize for the company's benefit (Lestari and Putri 2017).

In 2019 the Directorate General of Taxation suspected PT Adaro Energy of tax evasion. The company transferred its profits to a subsidiary located in Singapore, selling products at low prices and then reselling them at a very high price. The information was obtained from International Global Witness. For the actions of PT Adaro Energy Tbk, tax payments were lower than the supposed value of USD 125,000,000 to the Government of Indonesia. This is similar to the case of PT Coca-Coca Indonesia, which occurred in 2014 which is indicated to have committed tax evasion by circumventing its tax deposits so that the imposition of corporate taxes becomes small.

Concerning tax avoidance, Astuti and Aryani (2016) stated that "Tax avoidance is an explicit tax deduction that represents a series of tax planning strategies that can be done through tax avoidance." Tax avoidance activities are complex and unique, where this activity is legally said to be legal and business-friendly. Still, on the other hand, the government does not want it because it can make it challenging to achieve the target of tax receipts.

The measurement of tax avoidance in this study used Effective Tax Rate (ETR). Lanis and Richardson (2012) stated several reasons for using ETR as a proxy to measure tax avoidance. This ETR proxy is the most widely used in the literature. The low value of ETR can be an indicator of tax avoidance. Overall, companies that avoid tax by reducing their taxable income while keeping financial accounting profits have a lower ETR value. Thus, ETR can measure tax avoidance by dividing the tax burden and profit before tax. These rates are based on the rates applicable in each country. For Indonesia, ETR is valid under Law No. 36 of 2008 Article 17, which uses the corporate tax rate of 25%.

One of the alleged influences on tax avoidance is thin capitalization. According to Taylor and Richardson (2012), thin capitalization refers to investment decisions by companies in funding business operations by prioritizing debt funding rather than using an equity model in its capital structure. Many companies prefer to use thin capitalization to avoid tax burdens because companies prefer to pay interest on loans rather than taxes. After all, the interest on those loans can be a burden as a tax deduction. Unlike dividends, debt can increase the value of companies with tax incentives in the form of interest expense loans. Therefore, there need to be rules governing the practice of thin capitalization.

In addition to thin capitalization, profitability levels are also the suspect determinants that influence tax avoidance. The profitability level is one way that shows a company's performance in generating profit during a specific period at a certain level of sales, assets, and stock capital (Anggraeni and Oktaviani 2021). The profitability ratio in this study was projected in Return On Assets (ROA). This ROA serves as a gauge of the company's effectiveness in using its resources (Jamaludin, 2020). The higher the company's profitability, the higher the net profit of the company will be generated. The agency's theory will spur agents in increasing the company's profit. When the profit to be earned increases, the amount of income tax will increase following the increase in the company's gain so that the tendency to do tax avoidance by the company will also increase (Dewi and Noviari 2017).

Operating cash flow is also one of the alleged ones that influence tax avoidance. Operating cash flow is cash flow related to the company's operations in a certain period. Typically included in operating cash flow are cash receipts from consumers, debt payments, employee fee payments, interest payments, tax payments, and other expenses related to operational activities. The amount of cash flow derived from operating activities is an indicator that determines whether the organization can generate enough cash flow to pay off loans, maintain the organization's operating capabilities, pay dividends and taxes and make new investments without relying on outside funding resources. Therefore, the larger the operating cash flow ratio indicates, the greater the profit received, thus encouraging companies to engage in tax avoidance practices (Hery 2016).

In this study, the authors selected samples at manufacturing companies in the food and beverage sub-sector. The reason for choosing food and beverage sub-sector manufacturing in this study is that the food and beverage industry is one of the flagship manufacturing sectors contributing significantly to national economic growth and tax receipts. This can be reflected in the achievement of its performance. The stock price movement in each year has been recorded consistently and positively, both in improving productivity, investment, export, and absorption of labor. Throughout 2020, the performance of the food and beverage industry experienced positive growth of 1.58% (dataindustri.com, 2021). From this, it can be concluded that the development of food and beverage sub-sector manufacturing companies is able to generate large corporate profits every year and exceed the national economic growth of 5.17%, so it is most likely that tax avoidance practices occur in manufacturing companies of food and beverage sub-sectors. From 26 manufacturing companies of the food and beverage sub-sector in 2015-2019, nine companies met the sample selection criteria in this study.

Previous research conducted by Setiawan and Agustina (2018) and Khomsatun and Martani (2015) stated that the relationship between thin capitalization variables affects tax avoidance. However, different results were revealed by Olivia and Dwimulyani (2019) and Ismi and Linda (2016), who stated that thin capitalization does not affect tax avoidance. After implementing the thin capitalization rules, the debt to equity ratio is lower, thus providing fewer opportunities for management to do tax avoidance. Previous research conducted by Anggraeni and Oktaviani

(2021), Hutapea and Herawaty (2020), Olivia and Dwimulyani (2019), and Saputra et al. (2019) stated that profitability relationships affect tax avoidance. However, different results were revealed by Jamaludin (2020), Aridanti (2019), and Setiawan and Agustina (2018), who stated that profitability does not affect tax avoidance. This is because companies with a high level of profitability prefer to pay a deferred tax burden rather than tax avoidance by utilizing loopholes in applicable tax regulations. Previous research conducted by Kim and Im (2017), Susilowati et al. (2020), and Gazali et al. (2020) stated that operating cash flow relationships affect tax avoidance. High cash flow ratios indirectly indicate that companies have high returns, thus encouraging tax avoidance practices.

This research is a development from previous researcher Fadillah (2018) related to tax avoidance. The difference between this study and previous research is by using variables that have not been consistent results to be retested and research in the use of operating cash flow variables that are still rare in Indonesia.

1.1 OBJECTIVES

Based on the above problems, the purpose of this study is to test and obtain empirical evidence of the influence of thin capitalization, profitability, and cash flow on tax avoidance practices in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2015-2019.

2. Literature Review

2.1 Agency Theory

Anthony and Govindarajan (2005) proposed agency theory as a relationship or contract between Principal and Agent. The Principal (in this case, the investor) delegates their responsibilities, including delegation of decision-making authority to the agent (management), to perform specific tasks under the agreed employment contract. This set of contracts allows for conflicts of interest between shareholders (investor) and managers (Ross et al., 2010). As the party that manages the company's day-to-day activities, managers have more internal information than the owners of economic resources. Therefore, the manager is obliged to give signals regarding the condition of the company to the owner. Signals can be provided by disclosing accounting information such as financial statements (Lisa, 2012). The financial statements are essential for external information users, especially as the group is in the most uncertain condition. Differences in interests between principals and agents can affect a variety of matters related to the company's performance, one of which is the company's policy on corporate taxes. The tax system in Indonesia that uses a self-assessment system authorizes companies to calculate and report their taxes. A self-assessment system can allow agents to manipulate taxable income to be as low as possible so that the tax burden borne by the company becomes down (Yulistiani et al., 2019).

2.2 Thin Capitalization

In conducting its business, the company has two sources of capital that can be used as its choice, namely debt and capital. Debt and capital establish a corporate capital structure with a combination of enormous debt ownership and minimal capital (Taylor and Richardson, 2012). The mechanism of forming a capital structure with a debt structure larger than equity has many impacts. The debt given raises the interest expense, where the treatment of interest in taxation is different from the treatment of dividends. Interest expense in taxation provisions is allowed as a deduction of income. This will create loopholes and opportunities for companies to conduct tax avoidance through the utilization of interest. Companies that approach or exceed the interest limit allowed by thin capitalization rules tend to commit tax avoidance. Therefore, researchers suspect that thin capitalization has a significant effect on tax avoidance. This is supported by research conducted by Setiawan and Agustina (2018), Salwah and Herianti (2019), Khomsatun and Martani (2015) and Sapta Setia Darma (2019).

H1: Thin Capitalization affects tax avoidance

2.3 Profitability

Profitability is a ratio that indicates the level of ability of the company in generating profit in the company (Hery, 2016). The higher the profitability obtained by the company, the better a company goes in generating profit. This is an indicator to assess the company's good in managing its assets to generate profits. The relationship of profitability with tax is that if the company's ability to create profit increases, the tax on the company will also increase, leading to the company's tendency to practice tax avoidance. Therefore, researchers suspect that profitability has a significant effect on tax avoidance. This is supported by research by Olivia and Dwimulyani (2019), Anggraeni and Oktaviani (2021), and Kim and Im (2017).

H2: Profitability affects tax avoidance

2.4 Operating Cash Flow
Cash flow related to operating activities such as cash inflow income, cash outflows, general cost payments, the administration is included in operating cash flow. Operating cash flow is used to calculate the company's net profit because operating cash flow has included differences between cash inflows and cash flows out of the results of operational activities to influence management actions in profit management and tax planning (Gazali et al., 2020). The company's management actions in managing profit are part of profit management. And some studies reveal that profit management has a positive and significant effect on tax aggressiveness. So it can be said that cash flow from operating activities can affect tax avoidance practices. Therefore, researchers suspect that operating cash flow has a significant effect on tax avoidance. This is supported by research conducted by Kim and Im (2017), Gazali et al. (2020), and Susilowati et al. (2020).
H3: Operating cash flow affects tax avoidance

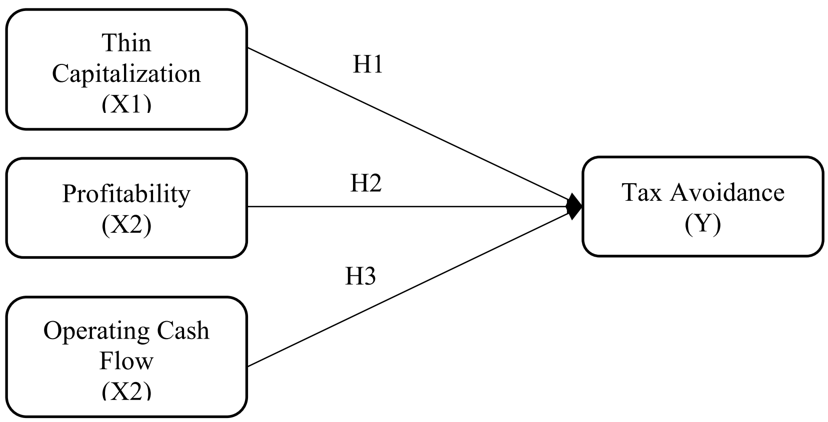

Figure 1: Conceptual Framework

3. Methods

The analysis used in this study is quantitative analysis, which is in hypothesis testing with statistical tests. This quantitative analysis is emphasized to reveal the behavior of research variables. The data used is secondary data in the company's financial statements for 2015-2019. The type of inferential statistics used is parametric inferential statistics. This study is used to test population parameters through statistics or test population size through sample data to analyze ratio data (Sirait et al., 2020a; Sirait et al., 2020b). The data collected about all research variables are then analyzed with a regression analysis of panel data (Sirait et al., 2020c; Januaviani et al., 2020).

The operationalization of variables in this study is:

1. Thin Capitalization

   Thin capitalization is the practice of financing branches or subsidiaries larger with interest-bearing debt than with capital. The practice of thin capitalization is based on the difference in the tax treatment of interest (in return for debt) and dividends (in return for equity) (Rosa et al., 2018). By thin capitalization rules, companies can calculate the maximum interest-bearing debt allowed as an income deduction called "maximum allowable debt" through thin capitalization rules. The PPh Law in Indonesia already regulates thin capitalization, namely article 18 paragraph (1). The article stipulated that the Minister of Finance is authorized to compare debt and corporate capital for tax calculation based on the PPh Law. For its implementation, they issued a Decree of the Minister of Finance Number PMK169/PMK.010/2015, which stipulates that the limit of debt to equity ratio maximum of 4:1. The application of rules that are often referred to as thin capitalization rules is applied to particular relationship transactions and transactions between independent parties. Comparing the maximum debt to equity ratio limit of 4:1 governs whether the borrowing costs associated with the debt can be the cost for calculating income tax. The cost of the loan is the cost borne by the Taxpayer in connection with the loan, which includes loan interest, discounts, additional costs incurred related to the acquisition of loans, financial expenses in financing leases, reward costs due to collateral repayment of debts, and differences in exchange rates that are civilized from loans in foreign currencies. The formula for calculating thin capitalization:

$$\text{MAD Ratio} = \frac{Average\ Debt}{SHDA\ of\ the\ firm}$$

SHDA = (Average total assets – Non-IBL) x % of Maximum Debt

Source: Taylor and Richardson (2012)

2. Profitability

A profitability ratio is a calculation that measures the company's ability to profit from a specific period. Still, another goal of the profitability ratio is to know the effectiveness of management in carrying out the company's operations (Hery, 2016). ROA shows how effectively a company manages its resources, both from its capital and loan capital. Investors will see how effectively the company works its assets (Anggraeni and Oktaviani, 2021). The formula for measuring ROA is:

$$\text{ROA} = \frac{\text{Laba Setelah Pajak}}{\text{Total Aset}}$$

Source: Anggraeni and Oktaviani (2021)

3. Operating Cash Flow

According to Hery (2016), the cash flow statement is a report that describes cash inflows and cash outflows in detail from each activity, ranging from operating activities, investment activities to funding activities. The Indonesian Accounting Association (IAI) in PSAK 2 (paragraph 13) the amount of cash flow arising from operating activities is the leading indicator to determine whether the entity's operations have generated sufficient cash flow to pay off loans, maintain the entity's operating capabilities, pay dividends, and make new investments without the help of outside sources of funding. Information about the specific components of historical operating cash flow is helpful with other information in forecasting future operating cash flows. Cash flow from operating activities is derived primarily from the main revenue-generating activities of the entity. Operating cash flow used in this study is calculated by dividing the total operating cash flow by the total assets, formulated as follows:

$$\text{AKO} = \frac{\text{Arus Kas Operasi}}{\text{Total Aset}}$$

Source: Subandar (2018)

4. Tax Avoidance

Tax avoidance is an arrangement to minimize or eliminate the tax burden by considering the tax consequences it causes. Tax avoidance is not a violation of tax laws because taxpayers' efforts to reduce, avoid, minimize and ease the tax burden are carried out in the manner made possible by the Tax Law (Nurfadillah et al., 2016). Several measurements can measure tax avoidance. Astuti &Aryani (2016) stated that tax avoidance measurements could be done using ETR (Effective Tax Rate). This formula is calculated using the ratio of total income tax expense to earnings before tax. Income tax expense is the summation of the current tax burden and deferred tax expense. Profit before tax is net profit before income tax. The smaller the value of ETR means that tax avoidance by companies is getting bigger, and vice versa, the greater the value of ETR, the smaller the tax avoidance.

$$\text{ETR} \frac{\text{Tax Expense}}{\text{Pretax Income}}$$

Source: Astuti and Aryani (2016)

4. Data Collection

In this study, researchers used a sample of secondary data obtained from food and beverage subsector manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2015-2019, the samples used were nine companies with purposive sampling methods. The purposive sampling method is a sampling determination technique based on specific considerations of the author by selecting subjects based on specific criteria that are appropriate according to the problem studied. Determination of sample criteria is necessary to avoid errors in the judgment of research samples, further affecting the analysis results. The requirements of the company that sampled this research data are as follows:

1. The manufacturing company of the food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2015-2019
2. Food and beverage sub-sector manufacturing companies that publish annual financial statements for 2015-2019
3. Manufacturing companies of food and beverage sub-sectors that did not suffer losses during the observation year

5. Result And Discussion

5.1 Model Selection

The model used in this study was panel data regression to test the model specifications and the suitability of theories with reality. In this section will be done the selection of data regression model panel which is the best. It is a common effect, fixed effect, or random effect. Data processing to choose which model is most appropriate in research is conducted electronically using EViews 9 software. The following table is presented in conclusion on the test results of the panel data model:

Table 1. Panel Data Model Test Results

No	Method	Testing	Prob.	Result
1	Chow Test	H0: Common Effect Model H1: Fixed Effect Model	0.000	Fixed Effect Model
2	Hausman test	H0: Random Effect Model H1: Fixed Effect Model	0.9438	Random Effect Model
			Conclusion	***Random Effect Model***

Source: Data processed, 2021.

In the Chow Test, if the probability value > 0.05, then H0 is accepted and H1 is rejected, which means the selected model is the common effect, but if the probability value < 0.05, then the conclusion that can be drawn is to reject H0 and accept H1, meaning that the suitable estimation model used is the Fixed Effect model. Based on table 1 chow test results, showing the cross-section probability value F = 0.0000, this means the probability value < 0.05, so that H0 is rejected and H1 is accepted, so for the chow test, it can be concluded that the more appropriate model to use is the fixed effect model compared to the common effect model to estimate the panel data.

In the Hausman Test, if the probability value < 0.05, then H0 is rejected and H1 is accepted, which means that the selected model is fixed effect, but if the probability value > 0.05, then the conclusion that can be taken is to accept H0 and reject H1, meaning that the suitable estimation model used in the regression of panel data is a random effect model. Based on table 1 Hausman test results, showing a probability value of 0.9438, this means the probability value > 0.05 so that H0 is accepted and H1 is rejected, it can be concluded that the more appropriate model to use is the random effect model compared to the fixed effect model.

5.2 Normality Test

Table 2. Result of the Normality Test

Jarque-Bera	2.247
Probability	0.325

Source: Data Processed with Eviews 9 Application

The normality test results show that the probability value of 0.325 > 0.05 means that residuals are normally distributed. The classic assumptions about the normality of the data in Random Effect are fulfilled.

5.3 Coefficient of Determination (R^2)

Table 3. Coefficient of Determination (R^2)

R-squared	0.368
Adjusted R-squared	0.322

Source: Data Processed With Eviews 9 Application

Based on the table of determination test results shows that the value of the coefficient of determination is 0.368 or 36.8%. This indicates that 36.8% of tax avoidance was affected by thin capitalization, profitability, and operating cash flow. The remaining 63.2% was affected by other variables not described in the study.

5.4 Partial test (t-Test)

Table 4. Statistical Test t

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.314	0.027	11.539	0.000
X1	-0.066	0.050	-1.330	0.191
X2	-0.718	0.160	-4.489	0.000
X3	0.223	0.087	2.5463	0.015

Source: Data Processed With Eviews 9 Application

Thin capitalization probability value with MAD ratio measurement as (X1) of 0.1910, which means the probability of more than 0.05 or (0.1910 > 0.05). So it can be concluded that thin capitalization has no partial effect on tax avoidance.

The probability value of profitability with a ROA measurement as (X2) of 0.0001 which means a probability of less than 0.05 or (0.0001 < 0.05). Then it can be concluded that profitability partially affects tax avoidance.

The probability value of operating cash flow with an AKO measurement as (X3) of 0.0130 which means a probability of less than 0.05 or (0.0130 < 0.05). It can then be concluded that operating cash flow partially affects tax avoidance.

5.5 Interpretation of Research Results

The authors tested the hypothesis on nine samples of Food and Beverage Sub-Sector Manufacturing Companies listed on the Indonesia Stock Exchange (IDX) in 2015-2019 using Eviews software on the Effect of Thin Capitalization, Profitability, and Operating Cash Flow on Tax Avoidance. The authors interpret the results of the research that is reinforced by existing theories and the consequences of previous research as follows:

Effect of Thin Capitalization (X1) on Tax Avoidance (Y) on Food and Beverage Sub-Sector Manufacturing Companies Listed on Indonesia Stock Exchange

Based on partial research results, thin capitalization measured using the MAD ratio does not affect tax avoidance measured using ETR. So it can be concluded that the results of this study do not correspond to the first hypothesis that thin capitalization affects tax avoidance. The average value of MAD owned by the company's sample is still below the 80% limit under PMK No. 169/PMK.010/2015, which regulates the value of debt allowed.

Table 5. Calculation of Thin Capitalization in Food and Beverage Sub-Sector Manufacturing Companies on Indonesia Stock Exchange Year 2015-2019

	AVERAGE				
	2015	2016	2017	2018	2019
RASIO MAD	26%	21%	19%	16%	13%
ETR	26%	23%	26%	26%	26%

Source: Developed for this Research

Based on the table above, the data shows that the highest average of all sample companies reached 26%. This indicates that the overall management of debt in manufacturing companies of the food and beverage sub-sector is considered to be still below or less close to the number 1 and still within the frame of government regulations that have been determined is 4:1. This means that companies finance companies as loopholes in tax avoidance and do not place interest expense in debt for tax avoidance practices. However, the debt is likely due to other objectives, such as the company's operations and the company's expansion. This is evidenced by the company's interest-bearing debt dominated by short-term debt that does not contain interest elements. Most of the short-term debt is limited by borrowing at a certain financial ratio.

The results of this study support the results of previous research conducted by Ismi and Linda (2016), Olivia and Dwimulyani (2019), and Anggraeni and Oktaviani (2021), which stated that thin capitalization does not affect tax avoidance. But the results of this study are contrary to the effects of previous research conducted by Setiawan and Agustina (2018), Salwah and Herianti (2019), and Sueb (2020), which stated that thin capitalization affects tax avoidance.

Effect of Profitability (X2) on Tax Avoidance (Y) on Food and Beverage Sub-Sector Manufacturing Companies Listed on Indonesia Stock Exchange

Based on the results of partial research, that profitability measured using ROA affects tax avoidance. So it can be concluded that this study's results follow the second hypothesis that states that profitability partially affects tax avoidance. The more profitability increases, the more tax avoidance will increase. This is because companies with high profitability have a high tax burden, so that companies will be more aggressive in tax avoidance. While not all actions violate existing regulations, the more loopholes companies use to reduce or minimize the tax burden, the more aggressive they are.

Table 6. Calculation of Profitability in Food and Beverage Sub-Sector Manufacturing Companies on the Indonesia Stock Exchange in 2015-2019

	AVERAGE				
	2015	2016	2017	2018	2019
ROA	10%	12%	11%	11%	12%
ETR	26%	23%	26%	26%	26%

Source: Developed for this Research

Based on the table, any increase or decrease in profitability, some indications prove that the higher the value of profitability, the more tax avoidance will experience an increase. This is because companies with high profitability have an increased tax burden as well. Companies with high profitability have the opportunity to position themselves by planning taxes to reduce the amount of tax burden because companies that can generate large profits tend to want the tax paid is not too large so that the company will seek to reduce or minimize the tax burden that a company must bear.

The results of this study support or are in line with the results of previous research conducted by Olivia and Dwimulyani (2019), Anggraeni and Oktaviani (2021), and Kim and Im (2017), which stated that profitability affects tax avoidance. But the results of this study do not support the results of previous research conducted by Setiawan and Agustina (2018), Ismi and Linda (2016), and Susilowati et al. (2020), which states that profitability does not affect tax avoidance

Effect of Operating Cash Flow (X3) on Tax Avoidance (Y) on Food and Beverage Sub-Sector Manufacturing Companies Listed on Indonesia Stock Exchange

Based on the results of partial research, operating cash flow measured using AKO affects tax avoidance. So it can be concluded that this study follows the third hypothesis that operating cash flow partially affects tax avoidance. High operating cash flow indicates the company has more significant revenue from expenses, which means a hefty profit. Therefore, increased operating cash flow will encourage companies to engage in tax avoidance practices.

Table 7. Calculation of Operating Cash Flow in Food and Beverage Sub-Sector Manufacturing Companies on the Indonesia Stock Exchange in 2015-2019

	AVERAGE				
	2015	2016	2017	2018	2019
AKO	15%	12%	13%	11%	17%
ETR	26%	23%	26%	26%	26%

Source: Developed for this Research

Based on the table, it can be stated that any increase or decrease that occurs in operating cash flow there are indications proving that the higher the company's operating cash flow, which indicates having a more significant revenue than the expense, which means the company has a hefty profit. It would therefore encourage companies to engage in tax avoidance practices. Operating cash flow is a determinant of the small amount of net profit or loss in a company. If the cash from the sale of goods or services increases, then the corporate tax burden will also increase so that the company will reduce the tax burden so that the tax-deferred to the company is lower. So, in this case, companies tend to tax avoidance by reducing the tax burden to keep the profit earned by the company high.

The results of this study support or are in line with the results of previous research conducted by Kim and Im (2017), Gazali et al. (2020), and Susilowati et al. (2020), which stated that operating cash flow affects tax avoidance.

The following is presented a summary of the results of thin capitalization, profitability, and operating cash flow against tax avoidance in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2015-2019:

Table 8. Summary of Research Results

No	Information	Hypothesis	Result	Conclusion
1	The effect of thin capitalization on tax avoidance	H1: Thin Capitalization affects Tax Avoidance	Thin capitalization does not affect Tax Avoidance	Rejected
2	The effect of profitability on tax avoidance	H2: Profitability affects Tax Avoidance	Profitability affects Tax Avoidance	Accepted
3	The effect of operating cash flow on tax avoidance	H3: Operating Cash Flow affects Tax Avoidance	Operating Cash Flow affects Tax Avoidance	Accepted

Source: Developed for this Research

6. Conclusion

This study aims to determine the effect of thin capitalization, profitability, and operating cash flow on tax avoidance. In this study, researchers used nine samples of food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2015-2019. Based on the results of data analysis and discussions that have been conducted, the following conclusions are obtained:

Thin capitalization measured using Maximum Allowable Debt (MAD) Ratio partially does not affect tax avoidance as measured using effective tax rate (ETR). The companies studied are not indicated by tax avoidance because the average value of MAD is still below the fair limit value determined based on PMK No.169/PMK.010/2015. This means that Indonesia's food and beverage sub-sector manufacturing companies do not place interest expenses in debt for their tax avoidance practices.

The profitability of companies measured using ROAs partially affects tax avoidance. This is because companies with high profitability have an increased tax burden. Companies tend to want taxes paid not too much so that the company will encourage the company's management to strive to reduce or minimize the tax burden that a company must bear through tax avoidance practices.

Operating cash flow measured using AKO partially affects tax avoidance. This is because operating cash flow is a determinant of the small amount of net profit /loss. If the cash from the sale of goods or services increases, then the corporate tax burden will also increase so that the company will reduce the tax burden so that the tax-deferred to the company is lower.

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