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THE ROLE OF PROFITABILITY IN MODERATING THE INFLUENCE OF THIN CAPITALIZATION, CAPITAL INTENSITY, CARBON EMISSION DISCLOSURE, AND TRANSFER PRICING AGGRESSIVENESS ON TAX AVOIDANCE: AN EMPIRICAL STUDY ON MINING COMPANIES ON THE IDX 2019–2023

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ABSTRACT

The practice of tax avoidance is an important issue in the tax system, especially in mining sector companies that have great potential to carry out tax planning strategies. This study aims to examine the effect of thin capitalization, capital intensity, carbon emission disclosure, and transfer pricing aggressiveness on tax avoidance with profitability as a moderating variable. This study uses a quantitative approach with secondary data obtained from financial reports and annual reports of mining sector companies listed on the Indonesia Stock Exchange (IDX) in the 2019-2023 period. The analysis method used is multiple linear regression and moderated regression analysis (MRA). The sample in this study were mining sector companies listed on the Indonesia Stock Exchange with a purposive sampling approach with a total of 18 companies and 90 data that could be processed. The results of this study indicate that thin capitalization, carbon emission disclosure and transfer pricing have no effect on tax avoidance, while capital intensity affects tax avoidance. In addition, profitability is proven to be able to moderate the relationship between capital intensity on tax avoidance and profitability is not able to moderate the relationship between thin capitalization, carbon emission disclosure, and transfer pricing on tax avoidance.

KEYWORDS: *Thin Capitalization, Capital Intensity, Carbon Disclosure, Transfer Pricing Aggressiveness, Tax Avoidance, Profitability.*

I. INTRODUCTION

Taxes are the most potential source of state fiscal revenue and occupy a major position in the state budget. The performance of the 2023 State Budget shows positive results amid global economic uncertainty, reflecting the government's seriousness in prudential and optimistic fiscal management. Indonesia's economic growth in 2023 reached 5.05 percent, although it slowed slightly compared to 2022 of 5.31 percent (Ministry of Finance, 2024). Inflation was also successfully suppressed at the level of 2.61 percent through policies to control food and energy distribution as well as the provision of subsidies and energy compensation. State revenue from taxes remains strong, supported by tax reform, increased taxpayer compliance, as well as risk-based supervision, post-PPS supervision, the establishment of compliance committees, database expansion, and the application of taxes in the digital economy. In accordance with Law No. 17 of 2003 concerning State Finance, state revenue includes tax revenues, non-tax state revenues, and grants, with taxes as the main source of state revenue.

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Figure 1. Tax Revenue Realization

The graph shows that state revenue is still dominated by the tax sector. The realization of tax revenue for the 2023 Fiscal Year reached IDR 2,154.21 trillion or 101.69% of the state budget target of IDR 2,118.31 trillion, an increase of 5.88% compared to 2022 of IDR 2,034.55 trillion. This illustrates the government's dependence on taxes as the main source of financing the national economy. The OECD (2022) recorded Indonesia's tax ratio in 2022 at 12.1%, an increase from the previous year (10.9%), but still lagging behind other ASEAN countries such as Vietnam (19%), the Philippines (18.4%), Thailand (16.7%), Cambodia (14.7%), and Malaysia (12.2%). Indonesia's low tax ratio is partly due to the high practice of tax avoidance.

The phenomenon of tax avoidance is still a serious challenge in various countries. The case in Mexico shows tax evasion practices in the mining and banking sectors with revenue losses reaching MXN 39.1 billion or around IDR 28.1 trillion (DDTC, 2022). A similar phenomenon also occurred in Indonesia, for example in PT Adaro Energy Tbk. which was accused of tax evasion through foreign affiliated companies with potential state losses of Rp1.75 trillion (DetikFinance, 2019). These cases demonstrate the urgency of increased transparency, oversight, and reform of the tax system.

Theoretically, tax avoidance is defined as the taxpayer's attempt to reduce his or her tax liability by taking advantage of regulatory loopholes, without breaking the law (Olivia Lucky & Murtanto, 2022; Safitri & Oktris, 2023). This practice is often seen as a managerial strategy to increase the company's profitability. Some of the factors that affect tax avoidance include thin capitalization, capital intensity, carbon emission disclosure, and transfer pricing aggressiveness.

Thin capitalization allows companies to reduce taxes through debt financing that is larger than equity, thereby increasing interest expense and reducing taxable profits (Waluyo & Doktoralina, 2018). Capital intensity is related to fixed asset investments that result in depreciation costs, which ultimately suppress taxable profits (Aryatama & Raharja, 2021; Mariani, 2024). Carbon emission disclosure is used by companies to build legitimacy and a positive reputation, as well as can be used to reduce tax supervision risks (Rusmana, 2020; Setiawan et al., 2024). Transfer pricing aggressiveness is widely used by multinational companies to move profits to jurisdictions with low tax rates, thereby reducing tax liabilities (Alfarizi et al., 2021; Hidayat & Hanafi, 2022).

In addition to these factors, profitability is also often seen as affecting tax avoidance. Companies with high profitability have a greater tendency to carry out aggressive tax planning to maximize profits (Rahmadani et al., 2024; Anggraeni & Oktaviani, 2021). However, the results of previous studies show inconsistent findings, where some state that profitability does not have a significant effect on tax avoidance (Jamaludin, 2020; Dewi & Suardika, 2021).

Based on case phenomena, theories, and previous research results, this study aims to analyze the influence of thin capitalization, capital intensity, carbon emission disclosure, and transfer pricing aggressiveness on tax avoidance with profitability as a moderating variable in mining sector companies listed on the IDX for the 2019–2023 period.

II. LITERATURE REVIEW

a. Agency Theory

The agency theory introduced by Jensen and Meckling (1976) describes the contractual relationship between the principal (capital owner) and *agent* (management), in which management is authorized to manage the company. The difference in interests between the two causes conflicts and information

asymmetry because management has more complete information than shareholders (Hartanto & Sudirgo, 2023). Eisenhardt (1989) mentioned the three basic assumptions of this theory, namely that humans tend to be selfish, rational is limited, and risk avoidance; organizations contain conflicts of interest, efficiency, and information asymmetry; and information is seen as a commodity. This condition can encourage management to act opportunistically for its own interests, including in the practice of tax avoidance.

b. Signalling Theory

Signal Theory (Spence, 1973) explains that management as the owner of information gives signals to investors to reduce information asymmetry. Signals can be in the form of financial statements, dividend policies, capital structures, or operational performance that show the company's prospects. Positive information such as rising profits, assets, and ability to meet obligations are good signals, while the issuance of new or high-risk stocks is considered a negative signal (Meckling & Jensen, 1976; Brigham & Brigham, 2013). Thus, signalling theory emphasizes the importance of relevant and timely information in influencing market perception and company value.

c. Thin Capitalization, Tax Avoidance

Thin capitalization is a funding strategy with a higher proportion of debt than equity to reduce tax burden through debt interest deduction (Sueb, 2020). In the perspective of agency theory, this strategy can benefit shareholders because it reduces taxes and increases net profits, but it also creates a conflict of interest if managers overuse debt that risks increasing potential bankruptcy and tax penalties. Therefore, regulators limit debt-to-equity ratios to prevent abuse. In terms of signalling theory, funding decisions through high debt signal tax efficiency for investors, but can also be perceived as an aggressive tax avoidance practice by regulators and other stakeholders. Corporate governance plays an important role in managing the transparency of these signals so that tax efficiency remains in line with compliance and corporate reputation. Previous research has also shown that thin capitalization has a significant effect on tax avoidance (Pratomo & Rana, 2021; Widiani & Trisnawati, 2024).

d. Capital Intencity, Tax Avoidance

Capital intensity is defined as the amount of a company's investment in fixed assets, which in taxation has a faster useful life than accounting calculations, resulting in a difference in depreciation. From the perspective of agency theory, this condition opens up opportunities for conflict between managers and owners, as managers tend to take advantage of depreciation policies to reduce taxes (tax avoidance) for after-tax profits, while owners want a more cautious strategy to maintain the company's reputation and sustainability. In terms of signaling theory, capital intensity can be a signal for how companies manage their tax obligations, where companies with high fixed assets are more likely to do tax avoidance than low ones. Previous research (Septianto & Ruslim, 2025; Naue et al., 2023; Aryatama & Raharja, 2021) show that capital intensity has a positive effect on tax avoidance.

e. Carbon Emission Disclosure, Tax Avoidance

Carbon emission disclosure is regulated in PT Law No. 40 of 2007 Article 66C and SEOJK No. 30/2016 which requires companies to report social and environmental responsibility, and is supported by the Kyoto Protocol which targets to reduce greenhouse gas emissions globally. The increase in the company's operational activities is believed to be the cause of the increase in carbon emissions (Hapsoro & Falih, 2020), so transparency in disclosure is needed to show concern for the environment and attract investor trust (Kelvin et al., 2017). From the perspective of agency theory, carbon emission disclosure can function as a form of social responsibility, but it also has the potential to be used by agents for tax avoidance practices if disclosure is unclear. Meanwhile, according to signalling theory, the disclosure of carbon emission information gives a positive signal related to sustainability commitments, reduces information asymmetry, and reduces management incentives to avoid taxes. Previous research (Rusmana, 2020; Alfayerds & Setiawan, 2021; Damas et al., 2021) show that carbon emission disclosure has an effect on tax avoidance.

f. Transfer Pricing, Tax Avoidance

Transfer pricing according to PMK No. 22/PMK.03/2020 is the price in a transaction that is influenced by a special relationship, either due to ownership, control, or family relationships. This practice can cause income diversion and cost engineering, thus reducing the amount of taxes paid by companies. From the perspective of agency theory, transfer pricing aggressiveness reflects a conflict of interest between managers (agents) who want to minimize taxes in the short-term interest and shareholders (principals) who prioritize the sustainability of the company's value. Meanwhile, according to signalling theory, an aggressive transfer pricing strategy sends a negative signal to tax authorities and investors because it is associated with tax manipulation efforts and compliance risks. Previous research (Alfarizi et al., 2021; Hidayat & Hanafi, 2022; Chrisandy, 2022) proves that transfer pricing has a positive effect on tax avoidance.

g. Profitability * Thin Capitalization, Tax Avoidance

Profitability is a ratio that measures the company's ability to generate profits from normal business activities (Hery, 2016; Kasmir, 2019). In funding, companies can choose debt or equity, where the use of debt provides an opportunity to reduce taxes through interest reductions (Waluyo & Doktoralina, 2018). Based on agency theory, managers tend to use thin capitalization to reduce tax burdens, but profitability plays a moderating factor because more profitable companies have more room to optimize this strategy despite the risk to the owner. From the perspective of signalling theory, a debt-based capital structure can be a signal of the company's aggressiveness in tax avoidance, especially in companies with high profitability. Previous research (Hermi & Petrawati, 2023; Widiani & Trisnawati, 2024; Jamaludin, 2020; Dewi & Suardika, 2021) proves that thin capitalization and profitability have an effect on tax avoidance.

h. Profitability * Capital Intencity, Tax Avoidance
Capital intensity is the level of a company's investment in fixed assets and inventories that can be utilized for tax avoidance strategies through depreciation (Indradi, 2018). Profitability reflects the company's ability to generate profits (Munawir, 2014) and acts as a moderation variable in the relationship between capital intensity and tax avoidance. Based on agency theory, companies with high capital intensity and high profitability are more encouraged to utilize fixed assets to reduce tax burdens, while companies with low profitability do not have the same incentives. From the perspective of signalling theory, high profitability strengthens the company's aggressive signal in utilizing capital intensity for tax avoidance, which can affect public perception and tax authorities. Research (Na'imah et al., 2023; Pembayun Khamisan & Dwi Astuti, 2023) proves that profitability moderates the influence of capital intensity on tax avoidance.

i. Profitability * Carbon Emission Disclosure, Tax Avoidance
Disclosure of carbon emissions is important for companies to show environmental concern while increasing transparency to investors (Hapsoro & Falih, 2020; Kelvin et al., 2017). Profitability, which reflects a company's ability to generate profits (Suntoyo, 2013), acts as a moderation variable in the relationship between carbon emission disclosure and tax avoidance. Based on the agency's theory, managers of more profitable companies are encouraged to disclose carbon emissions to improve their image, but still try to reduce taxes through tax avoidance. From a signalling theory perspective, carbon emissions disclosure gives a positive signal about environmental commitments, but high profitability also increases the incentive to aggressively evade taxes. On the other hand, companies with low profitability tend to be less transparent or limited in tax avoidance strategies. Research (Vianty Adella Santo, 2024; Setiawan, 2024) proves that profitability moderates the effect of carbon emission disclosure on tax avoidance.

j. Profitability * Transfer Pricing, Tax Avoidance
Based on PMK No. 22/PMK.03/2020, transfer pricing is the price in transactions between parties that have a special relationship as regulated in the Income Tax Law and the VAT Law. The practice is often associated with tax avoidance efforts because management (agents) have an incentive to manipulate transfer prices in order to reduce tax liability (agency theory). Profitability plays a role as a moderation variable because companies with high profits have greater tax potential so they tend to use aggressive transfer pricing strategies, while companies with low profits are relatively less encouraged. From a signalling theory perspective, aggressive transfer pricing strategies can send negative signals to tax authorities and investors, and this tendency is even stronger in companies with high profitability. Previous research (Alfarizi et al., 2021; Hidayat & Hanafi, 2022; Chrisandy, 2022) showed that transfer pricing had a positive effect on tax avoidance, while other studies (Anggraeni & Oktaviani, 2021; Mahdiana & Amin, 2020; Ningsih & Noviari, 2022; Rahmadani et al., 2024) found that profitability also had a positive effect on tax avoidance practices.

III. RESEARCH METHODS

The subject of this study is a mining sub-sector company listed on the Indonesia Stock Exchange for the 2019–2023 period, with the research object in the form of thin capitalization, capital intensity, carbon emission disclosure, transfer pricing, tax avoidance, and profitability. The method used is causal research, which is a study that examines the cause-and-effect relationship between independent variables (X) and dependent variables (Y). In this study, independent variables consisted of thin capitalization, capital intensity, carbon emission disclosure, and transfer pricing; The dependent variable is tax avoidance; While profitability plays a role as a moderation variable.

Population is a generalized area consisting of objects or subjects with certain characteristics that researchers set to study and then draw conclusions (Sugiyono, 2018). In this study, the population consists of mining sub-sector companies listed on the Indonesia Stock Exchange for the 2019–2023 period. A sample is a part of a population

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that is made representative, which is selected based on certain criteria. The sampling technique used is nonprobability sampling with the purposive sampling method, which is sampling based on predetermined criteria. The sample criteria in this study are:

1. Mining sub-sector companies listed on the Indonesia Stock Exchange in 2019–2023.
2. Companies that consistently publish financial statements for 2019–2023.
3. Companies that consistently earn profits in the 2019–2023 financial statements.

Table 1. Sample Selection

No	Sample selection	Sum
1	Mining sector companies listed on the IDX in 2019 - 2023	57
2	Companies that did not report financials consecutively in 2019 - 2023	-15
3	Companies that did not earn profits consecutively in 2019 - 2023	-24
	Number of Company Samples	18
	Total Sample Data for 5 years (5x18)	90

Source: IDX data processed, 2025

In this study, the researcher explained the operational definition of the variables used, including dependent, independent, and moderation variables. The dependent variable in this study is tax avoidance, which is measured using the Effective Tax Rate (ETR), which is a comparison between tax burden and profit before tax. The lower the ETR value, the higher the indication of a company committing tax avoidance, according to research by Yulianti et al., (2023). Independent variables consisted of thin capitalization, capital intensity, carbon emission disclosure, and transfer pricing aggressiveness. Thin capitalization describes a company's strategy that prioritizes funding through debt over equity, which allows for the reduction of taxable profits through deductible interest payments, measured using the Debt to Equity Ratio (DER) according to Sueb (2020) and PMK No. 18/PMK.03/2021. Capital intensity reflects the level of a company's investment in fixed assets and inventory, which indicates how much the company allocates funds for fixed assets in support of business operations, measured as a comparison between fixed assets and total assets, referring to Indradi (2018) and Yuliana & Wahyudi (2018). Carbon emission disclosure shows the level of transparency of a company in disclosing carbon emission information through an annual report or sustainability report, measured binary with a score of 1 if the company discloses carbon emission information and a score of 0 if not, according to Hapsoro & Falih (2020), Kelvin et al., (2017), and Rusmana & Purnama (2020). Transfer pricing aggressiveness reflects the company's intensity in using transfer prices between entities that have a special relationship to minimize tax liabilities, measured through the percentage of receivables to related parties to total receivables, according to Kurniawan (2024), Rahayu (2010), and PMK No. 22/PMK.03/2020. The moderation variable used is profitability, which measures the company's ability to generate profit from the total assets it owns, measured using Return on Assets (ROA), which is the comparison between net profit before tax and total company assets, according to Hery (2016) and Kasmir (2019). Profitability serves to moderate the relationship between independent variables and tax avoidance, because the company's profit level can affect management's tendency to make decisions related to tax avoidance. Thus, the operationalization of these variables provides a clear and consistent measurement framework to analyze the influence of thin capitalization, capital intensity, carbon emission disclosure, and transfer pricing on tax avoidance and the role of profitability moderation in this study.

Data processing in this study was carried out using the EViews 13 software, which allows statistical quantitative data analysis to test the cause-and-effect relationship between variables. Descriptive statistical analysis was carried out to see the basic characteristics of the data, such as the mean, standard deviation, minimum, and maximum of each variable. Furthermore, a panel regression analysis was carried out because the data used was in the form of panels (time-series and cross-section), which allowed the study to see the influence of independent variables on tax avoidance while testing the role of profitability moderation. EViews 13 provides panel regression options with the Pooled Least Squares, Fixed Effect, and Random Effect methods, so that researchers can determine the best model through Hausman tests. In addition, classical assumption tests were carried out to ensure the validity of the model, including tests of multicollinearity, heteroscedasticity, autocorrelation, and residual normality. If necessary, the researcher performs data transformation or model adjustments so that the regression results meet classical assumptions. The results of the analysis were then used to test the research hypothesis related to the influence of thin capitalization, capital intensity, carbon emission disclosure, and transfer pricing on tax avoidance and the role of profitability moderation.

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IV. RESULTS AND DISCUSSION

a. Descriptive Analysis

Table 2. Descriptive Analysis

	TC	CI	CED	TP	TA	ROA
Mean	0.897	0.209	0.273	0.271	0.386	0.171
Median	0.858	0.184	0.333	0.113	0.458	0.093
Maximum	2.485	0.625	0.722	0.985	1.106	0.796
Minimum	0.097	0.000	0.000	0.000	-5.936	-0.031
Std. Dev.	0.558	0.132	0.265	0.323	0.716	0.205
Obs	90	90	90	90	90	90

Source: Data processed with EVIEWS 13, 2025

Based on the results of the descriptive analysis, the Thin Capitalization variable has an average of 0.897, indicating that most of the companies in the sample use debt of around 89.7% of their total capital, with a median value of 0.858 which is close to the average, a maximum value of 2.485, a minimum of 0.097, and a standard deviation of 0.558, which reflects a considerable variation in the use of debt between companies. The Capital Intensity variable, which describes the proportion of fixed assets to total assets, has an average of 0.209, a median of 0.184, a maximum of 0.625, a minimum of 0.000, and a standard deviation of 0.132, indicating that most companies have relatively low capital intensity and that the differences between companies are not very large. Carbon Emission Disclosure has an average of 0.273, a median of 0.333, a maximum of 0.722, a minimum of 0.000, and a standard deviation of 0.265, indicating that carbon emission disclosure is still relatively low but there are companies that are quite informative. While Transfer Pricing shows an average of 0.271, a median of 0.113, a maximum of 0.985, a minimum of 0.000, and a standard deviation of 0.323, which reflects the practice of transfer pricing at a moderate level with some extreme values that pull the average upwards. Tax Avoidance has an average of 0.386, a median of 0.458, a maximum of 1.106, a minimum of -5.936, and a standard deviation of 0.716, indicating a moderate level of tax avoidance but with high volatility and the presence of several companies that have suffered large losses. Finally, the Profitability variable has an average of 0.171, a median of 0.093, a maximum of 0.796, a minimum of -0.031, and a standard deviation of 0.205, which indicates that most companies have low profitability with only a few companies recording high profits, so the distribution of data is skewed to the right (positively skewed).

b. Panel Data Model Selection

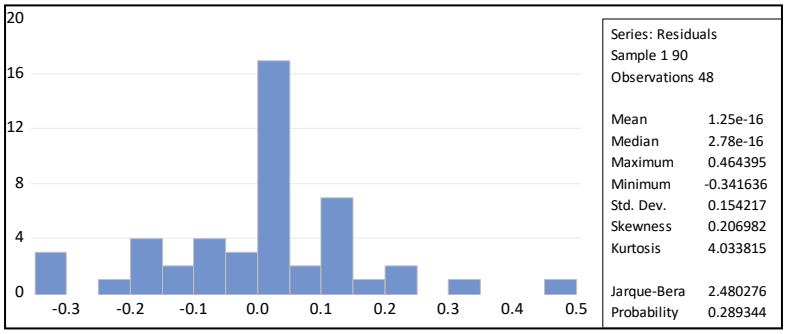
Table 3. Model Selection

Testing	Prob	Conclusion
Chow	0.73771	CEM
Hausman	0.95174	REM
Langrange Multiplier	0.82824	CEM

Source: Data processed with EVIEWS 13, 2025

Based on the results of the panel model tests carried out, several conclusions were obtained regarding the selection of the right model. The results of Chow's test showed a probability value of 0.73771, which is greater than 0.05, so the Common Effect Model (CEM) model was accepted and the Fixed Effect model was rejected. Furthermore, the results of the Hausman test produced a probability value of 0.95174, which is also greater than 0.05, so the Random Effect Model (REM) model was accepted and the Fixed Effect model was rejected. Finally, the Langrange Multiplier (LM) test gives a probability value of 0.82824, which is greater than 0.05, thus supporting the use of the Common Effect Model (CEM).

c. Normality Testing



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Based on the results of the normality test, a probability value of 0.289 was obtained, which is greater than 0.05. This shows that H_0 is accepted, which means that the data in this study is normally distributed. Thus, the assumption of normality is fulfilled and the data is ready for further analysis using parametric methods, such as linear regression in the Common Effect Model (CEM) model.

d. Multicollinearity Testing

Table 4. Multicollinearity Testing

	Y	X1	X2	X3	X4	X1Z	X2Z	X3Z	X4Z	Z
Y	1.000	0.199	0.154	-0.013	-0.146	-0.140	-0.165	-0.206	-0.209	-0.209
X1	0.199	1.000	0.251	-0.061	-0.163	0.173	-0.124	-0.233	-0.416	-0.245
X2	0.154	0.251	1.000	-0.180	0.560	-0.224	0.037	-0.366	-0.076	-0.340
X3	-0.013	-0.061	-0.180	1.000	-0.345	0.015	-0.075	0.219	-0.175	0.002
X4	-0.146	-0.163	0.560	-0.345	1.000	-0.140	0.017	-0.191	0.393	-0.148
X1Z	-0.140	0.173	-0.224	0.015	-0.140	1.000	0.716	0.795	0.234	0.819
X2Z	-0.165	-0.124	0.037	-0.075	0.017	0.716	1.000	0.717	0.471	0.827
X3Z	-0.206	-0.233	-0.366	0.219	-0.191	0.795	0.717	1.000	0.269	0.943
X4Z	-0.209	-0.416	-0.076	-0.175	0.393	0.234	0.471	0.269	1.000	0.383
Z	-0.209	-0.245	-0.340	0.002	-0.148	0.819	0.827	0.943	0.383	1.000

Source: Data processed with EVIEWS 13, 2025

Based on the results of the multicollinearity test, all correlation coefficient values between independent variables were below 0.8–0.9. This shows that there are no symptoms of multicollinearity in the study data, so independent variables can be used simultaneously in regression analysis without causing distortion due to the high correlation between variables.

e. Heteroscedasticity Testing

Table 5. Heteroscedasticity Testing

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	0.505475	Prob. F(20,27)	0.940173
Obs*R-squared	13.07632	Prob. Chi-Square(20)	0.874085
Scaled explained SS	6.276099	Prob. Chi-Square(20)	0.99847

Source: Data processed with EVIEWS 13, 2025

Based on the results of the heteroscedasticity test, a probability value (prob) of 0.8740 was obtained, which is greater than 0.05. Thus, there is no heteroscedasticity in the data of this study, so the variables used have a constant residual variance and the regression results can be considered valid.

f. Hypothesis Testing

Table 6. Hypothesis Testing

Variable	Coefficient	t-Statistic	Prob.
C	-0.3035	-1.8438	0.07582
X1	0.08821	0.99235	0.32953
X2	-0.2189	-2.6074	0.01446
X3	0.14869	1.0307	0.3115
X4	0.03077	1.28002	0.21104
X1Z	0.46725	1.39605	0.17367
X2Z	-15.782	-3.0483	0.00498
X3Z	1.05744	1.62998	0.11431
X4Z	-2.4111	-1.8241	0.07882
F- Statistics	0.0000		
R-Square	0.7874		

Source: Data processed with EVIEWS 13, 2025

Based on the results of the F test, the F-statistics probability value of 0.0000 was obtained, which is smaller than 0.05. This shows that together, independent variables, namely thin capitalization, capital intensity, carbon emission disclosure, and transfer pricing, have a significant effect on the dependent variable, namely tax avoidance, with profitability as the moderation variable. Thus, this research is worth continuing.

The results of the determination coefficient (R^2) test showed a value of 0.787, which means that independent variables were able to explain 78.7% of the variation in tax avoidance, while the remaining 21.3% was influenced

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by other factors outside of this study, such as managerial ownership, fiscal compensation, foreign ownership, and other factors.

Based on the results of the t-test, each independent variable and its interaction with profitability (as a moderation variable) were analyzed for tax avoidance as follows:

1. Thin Capitalization to Tax Avoidance shows a t-value of 0.99235 with a significance of 0.32953 (> 0.05). This shows that the effect of thin capitalization on tax avoidance is not significant. This means that the heavier capital structure on debt does not directly affect tax avoidance practices in mining sub-sector companies in this research sample. The first hypothesis was rejected.
2. Capital Intensity to Tax Avoidance has a t-value of -2.6074 with a significance of 0.01446 (< 0.05). This indicates the significant influence of capital intensity on tax avoidance. In other words, the higher the proportion of fixed assets a company has, the greater its influence on tax avoidance. The second hypothesis is accepted.
3. Carbon Emission Disclosure to Tax Avoidance obtained a t-value of 1.0307 with a significance of 0.3115 (> 0.05). These results show that carbon emission disclosure has no significant effect on tax avoidance practices. This means that transparency related to corporate carbon emissions does not significantly affect tax management behavior. The third hypothesis is rejected.
4. Transfer Pricing to Tax Avoidance shows a t-value of 1.28002 with a significance of 0.21104 (> 0.05). This shows that the practice of transfer pricing does not have a significant effect on tax avoidance. In other words, the strategy of setting the price of transactions between related parties in the sample of companies does not directly encourage tax avoidance. The fourth hypothesis is rejected.

For the influence of profitability moderation:

5. Thin Capitalization moderated Profitability to Tax Avoidance has a t-value of 1.39605 with a significance of 0.17367 (> 0.05). Profitability is unable to moderate the effect of thin capitalization on tax avoidance, so the fifth hypothesis is rejected.
6. Capital Intensity moderated by Profitability to Tax Avoidance has a t-value of -3.0483 with a significance of 0.00498 (< 0.05). These results show that profitability is able to moderate the effect of capital intensity on tax avoidance. This means that more profitable companies tend to amplify the influence of capital intensity on tax avoidance practices. The sixth hypothesis is accepted.
7. Carbon Emission Disclosure moderated Profitability to Tax Avoidance shows a t-value of 1.62998 with a significance of 0.11431 (> 0.05). Profitability is not able to moderate the effect of carbon emission disclosure on tax avoidance, so the seventh hypothesis is rejected.
8. Transfer Pricing moderated Profitability to Tax Avoidance has a t-value of -1.8241 with a significance of 0.07882 (> 0.05). This shows that profitability does not moderate the effect of transfer pricing on tax avoidance. The eighth hypothesis is rejected.

g. Discussion

Based on the results of the tests that have been carried out, it can be explained that thin capitalization has no effect on tax avoidance**.** These findings show that the high proportion of debt use in a company's capital structure does not directly encourage tax avoidance practices. In other words, high leverage through debt is not the dominant factor determining a company's tendency to aggressively reduce its tax burden. Within the framework of agency theory, the use of debt is often seen as a disciplinary mechanism that can reduce management's opportunistic behavior due to the obligation to pay interest and supervision from creditors. However, the results of this study show that companies do not always utilize debt for tax avoidance purposes. In addition, pressure from external parties such as creditors, investors, and regulators has made companies cautious about utilizing interest expenses as a tax deduction instrument. From the perspective of signalling theory, the capital structure is also a signal to stakeholders; companies tend to maintain a positive image by avoiding thin capitalization strategies as an aggressive instrument of tax avoidance. This finding is in line with the research of Arifah & Arieftiara (2021), although it is different from Sueb (2020), Prastiwi & Ratnasari (2019), and Nadhifah & Arif (2020) who stated the positive effect of thin capitalization on tax avoidance.

Furthermore, capital intensity has a significant effect on tax avoidance. This means that the higher the proportion of fixed assets to the company's total assets, the greater the tendency of the company to evade taxes. In the perspective of agency theory, managers have an incentive to maximize after-tax profits, and fixed assets can be leveraged through depreciation to reduce taxable profits. In terms of signalling theory, investment in high fixed assets can be a signal of stability and long-term growth prospects, but it also allows companies to utilize asset depreciation for tax planning strategies. These findings are consistent with the research of Septianto (2023) and Aryatama & Raharja (2021), while Mariani (2024) found no significant effect.

The test results show that carbon emission disclosure has no effect on tax avoidance. The level of carbon emissions disclosure is not directly related to tax avoidance practices, suggesting that environmental reporting is more of a formality, maintaining social legitimacy, or enhancing reputation, rather than for fiscal purposes. Within the framework of agency theory, managers separate environmental strategy and fiscal strategy. In terms of signalling theory, carbon emission disclosure has not yet become a relevant signal in tax avoidance practices, especially because regulations and fiscal incentives linking the two do not yet exist. These findings are in line with Wardhani & Kawedar (2019) and Rusmana (2020), in contrast to Setiawan et al. (2024) and Damas et al. (2021) who found significant influence.

The test results also showed that transfer pricing had no effect on tax avoidance. The practice of pricing between entities in one group of companies is not always used to reduce the tax burden. Within the framework of agency theory, although managers can leverage transfer pricing to move profits to low-tax jurisdictions, strict oversight through Local File, Master File, and CbCR documentation limits such practices. From the perspective of signalling theory, transfer pricing is carried out according to the arm's length principle to maintain reputation and compliance, so that it does not become the main tax avoidance instrument. These results are in line with Laila et al. (2021) and Adella & Larasati (2021), but in contrast to Alfarizi et al. (2021), Hidayat & Hanafi (2022), and Marcelino Hery Chrisandy (2022) who found a positive effect.

Regarding the role of profitability moderation, the test shows that profitability does not moderate the effect of thin capitalization on tax avoidance. The level of corporate profits does not strengthen or weaken the relationship between the proportion of high debt and the tendency to avoid taxes. In the perspective of agency theory and signalling theory, the decision to use debt is determined more by funding needs, capital structure, and long-term strategy, rather than by profit levels. Research by Na'imah et al. (2023) and Pembayun Khamisan & Dwi Astuti (2023) also stated that profitability does not moderate the influence of thin capitalization.

On the other hand, profitability is able to moderate the effect of capital intensity on tax avoidance. The higher the level of profitability, the stronger the influence of capital intensity on tax avoidance practices. This explains that fixed assets not only function operationally, but also become a more optimal tax planning instrument when the company is profitable. In terms of signalling theory, companies with high profitability can take advantage of capital intensity to reduce tax liabilities legally without causing negative signals. These findings are consistent with Na'imah et al. (2023) and Pembayun Khamisan & Dwi Astuti (2023).

Meanwhile, profitability does not moderate the effect of carbon emission disclosure or transfer pricing on tax avoidance. The level of corporate profit does not strengthen or weaken the relationship between these two variables and tax avoidance practices. In other words, carbon emissions disclosure remains independent of fiscal strategy, and transfer pricing is executed consistently for the efficiency of the business group without being affected by the profitability of local entities. These findings are in line with Santo (2024), Setiawan (2024), Anggraeni & Oktaviani (2021), Mahdiana & Amin (2020), Ningsih & Noviari (2022), and Rahmadani et al. (2024).

V. CONCLUSIONS, SUGGESTIONS AND LIMITATIONS

a. Conclusion

Based on the results of the study, several important conclusions were obtained regarding the influence of the variables studied on tax avoidance practices in mining sector companies listed on the IDX. First, thin capitalization has no effect on tax avoidance, which shows that the high proportion of debt use in the company's capital structure does not directly encourage companies to avoid taxes. Second, capital intensity has a positive effect on tax avoidance, meaning that the greater the proportion of fixed assets owned by the company to total assets, the higher the tendency of the company to take advantage of tax burden reduction strategies through depreciation and fiscal planning. Furthermore, carbon emission disclosure has no effect on tax avoidance, which indicates that the level of transparency of companies in reporting carbon emissions is not directly correlated with tax avoidance practices. Similarly, transfer pricing has no effect on tax avoidance, indicating that the practice of pricing between entities within a group of companies is not always used as the main means of reducing the tax burden. As for the role of profitability as a moderation variable, the study found that profitability was not able to moderate the influence of thin capitalization, carbon emission disclosure, and transfer pricing on tax avoidance. This means that the company's profit level does not strengthen or weaken the relationship between the three variables and tax avoidance practices. On the other hand, profitability has been proven to be able to moderate the relationship between capital intensity and tax

avoidance, so that the higher the company's profit level, the stronger the influence of capital intensity on the tendency to avoid taxes.

b. Suggestion

For the government, especially the Directorate General of Taxes, it is necessary to strengthen regulations and supervision of tax practices in the mining sector, especially related to funding structures, carbon emission disclosure, and transfer pricing policies. Although this study showed no significant effect, these practices can still occur cautiously or covertly. Therefore, increasing the exchange of information between countries and the consistent implementation of BEPS regulations needs to be improved to minimize undetected tax evasion. For companies, it is advisable to continue to improve transparency in financial reporting and environmental policy disclosures, as well as ensure compliance with good governance principles. High profitability should be a capital to strengthen the integrity of the company, not used as an excuse to take legal loopholes through financing structures or risky transfer pricing policies. For future researchers, it is recommended to extend the research object to other sectors such as manufacturing or services, using more comprehensive measurement indicators, as well as including additional variables such as company size, effectiveness of internal supervision, institutional ownership, and corporate governance. Future research can also combine quantitative and qualitative data, for example through interviews or case studies, in order to gain a more complete understanding of tax avoidance practices.

c. Limitations

This research has several limitations. First, it is only carried out on mining sector companies listed on the IDX, so the results do not necessarily apply to other industrial sectors. Second, the data used is sourced from public secondary reports, so there is limited information related to the company's internal taxation practices. Third, the measurement of profitability moderation variables only uses the ROA ratio, which may not fully reflect the company's overall financial condition.

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