TAX AVOIDANCE: CAPITAL AND INVENTORY INTENSITY IN BEI NON-CYCLICALS (2019-2023)

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Abstract

This study examines the effect of capital intensity and inventory intensity on tax avoidance in non-cyclical consumer sector companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. The aim is to analyze how investment in fixed assets and inventory affects tax avoidance practices. A quantitative approach is used with multiple linear regression methods and purposive sampling techniques on 73 companies. The results show that capital intensity has a negative and significant effect on tax avoidance, indicating that the greater the proportion of fixed assets, the lower the tendency to avoid taxes. Interestingly, inventory intensity also has a negative and significant effect, contrary to the initial hypothesis. Both variables simultaneously have a significant effect on tax avoidance with a determination value of 77.9% (R^2=0.779). This finding suggests that companies with large investments in fixed assets and inventory tend to have higher tax compliance.

Keywords: Tax Avoidance, Capital Intensity, Inventory Intensity, IDX, Consumer Non-Cyclicals

INTRODUCTION

The Indonesia Stock Exchange (IDX) houses various companies that are expected to be compliant in fulfilling their tax obligations. Corporate compliance in paying taxes to the state provides significant benefits. However, challenges often arise in realizing such compliance. For this reason, Law Number 7 of 2021 concerning Harmonization of Tax Regulations is present with the aim of increasing economic growth, optimizing state revenue, creating a fair tax system, reforming tax administration, and encouraging taxpayer compliance (Law Number 7 of 2021, 2021). Taxpayers legally reduce their tax burden through tax avoidance strategies that comply with regulations (Saragih et al., 2023) .

According to Malik et al., (2022) companies, which are oriented towards maximizing profits, often view taxes as a burden that reduces net profits. As a result, many companies seek to reduce their tax burden through tax avoidance, which utilizes loopholes in tax regulations. Tax avoidance provides financial benefits to companies, as they can avoid tax payment obligations and thus increase their profits (Saragih et al., 2023) . So it is important to know the problems of tax avoidance so that the determination remains in accordance with existing regulations.

Companies try to minimize taxes carefully and in accordance with the law to reduce the amount of tax to be paid through tax planning (Rahmadani et al., 2022) . The existence of loopholes in tax regulations encourages entrepreneurs to manipulate actual data to minimize the company's tax burden (Widodo et al., 2023) . The government and taxpayers have conflicting objectives regarding taxes. The government seeks to maximize tax revenue to fund state activities, while taxpayers try to minimize their tax burden because it is considered to reduce economic benefits (Malik et al., 2022) .

Tax avoidance practices, which are commonly found in many countries, are divided into two categories: those that are considered legal and ethical and those that are considered unethical although they may still be within the realm of legality (Setyaningsih et al., 2023) . Although legal and in accordance with regulations, tax avoidance remains an undesirable issue, especially for governments with an interest in tax revenue (Sari & Indrawan, 2022) . Many ways can be done to achieve savings or minimize taxes that must be paid by taxpayers, one of which is by doing tax avoidance which is one way to reduce or save tax payments by taxpayers (Putri & Pratiwi, 2022) .Tax Avoidance is an effort by taxpayers to take advantage of legal loopholes with the aim that taxes paid can be minimized (Marlinda et al., 2020) .

Based on the findings of previous research and the opinions of experts, tax avoidance can be caused by several factors. The company's desire to minimize the tax burden is driven by several factors, including capital intensity, inventory intensity, and transfer pricing (Putri & Pratiwi, 2022) . In line with that, Komalasari & Suharna, (2021) also stated that factors such as sales growth, capital intensity, and inventory intensity are thought to have a significant impact on the tax avoidance strategy chosen by the company. Furthermore, Sari & Indrawan, (2022) added that inventory intensity is another factor that affects tax avoidance besides institutional ownership and capital intensity.

Given the various factors causing tax avoidance that have been identified by previous researchers, this study focuses on two main factors, namely capital intensity and inventory intensity. Capital intensity is one of the factors that encourage companies to do tax avoidance. It is a business strategy to invest in long-term assets. The higher the level of capital intensity

of a company, the greater the depreciation costs that can be deducted from taxable income (Komalasari & Suharna, 2021) . Capital intensity reflects the amount of funds the company invests in fixed assets and inventories (Putra et al., 2025) .

Meanwhile, according to Putri & Pratiwi, (2022) Capital intensity is one of the strategic elements that companies consider in making decisions related to tax avoidance. Inventory intensity reflects the amount of funds a company invests in inventory (Widodo et al., 2023) . Large inventory investments, which are reflected in inventory intensity, can affect the company's effective tax rate. This is due to the increase in expenses that must be paid by the company (Ramadhina et al., 2023) . Companies with large inventories face a significant cost burden in managing inventory. A high level of inventory intensity encourages companies to be more aggressive in reducing tax burdens, because high tax burdens can reduce profits (Rahmadani et al., 2022) .

This research is motivated by the inconsistency of previous research on the relationship between capital intensity, inventory intensity, and tax avoidance practices such as research Malik et al., (2022) said that capital intensity has a positive effect on tax avoidance. Meanwhile, according to research by Rahmadani et al., (2022) , Widodo et al., (2023) , Putra et al., (2025) said capital intensity has a negative effect on tax avoidance. Research related to inventory intensity stated by Nugrahadi & Rinaldi, (2021) , Ramadhina et al., (2023), Sari & Indrawan, (2022) where inventory itensity has a positive effect on tax avoidance. Research by Putra et al., (2025) says inventory intensity has a negative effect on tax avoidance.

REVIEW OF LITERATURE

Agency Theory

Agency theory examines the interaction between those who give authority, namely principals, and those who receive authority, namely agents. This relationship arises when the principal delegates tasks to the agent to manage the company. Although agents have an obligation to report information to the principal, there is often information asymmetry where agents do not provide accurate reports (Zoebar & Miftah, 2020) . In the context of taxation, tax avoidance describes the agency relationship between the government and taxpayers. The government, as the principal, relies on taxes as a source of revenue, while taxpayers, as agents, seek to maximize profits. However, taxpayers' opportunistic actions in reducing tax obligations often hinder optimal tax revenue (Gumono, 2021) . Therefore, it is important to understand the dynamics of this relationship in order to formulate more effective and fair tax policies.

Tax Avoidance

Tax avoidance is a legally valid strategy in which taxpayers seek to reduce or eliminate their tax liabilities without violating regulations. This practice involves utilizing loopholes in tax regulations to minimize the tax burden (Gumono, 2021) . Although tax avoidance does not violate tax regulations and is not considered ethically wrong, it is still an attempt by taxpayers to reduce or alleviate the tax burden in a lawful manner (Khatami et al., 2021) . Thus, tax avoidance provides financial benefits to the company by reducing the tax burden, thereby increasing net income (Saragih et al., 2023) .

Capital Intensity

Capital intensity reflects the amount of company investment in fixed assets. The difference in the useful life of fixed assets causes depreciation differences, managers tend to engineer profits for compensation, while owners want to minimize taxes (Rifai & Atiningsih, 2019) .The company's level of efficiency in generating sales through the use of its assets can be seen from the capital intensity ratio (Zoebar & Miftah, 2020) .

Inventory Intensity

Inventory intensity shows the amount of company investment in inventory (Nugrahadi & Rinaldi, 2021) . Investment in inventory generates maintenance and storage costs that increase the company's expenses. This expense, although potentially lowering profits, can be used as a tax expense deduction, thereby reducing tax liabilities (Sari & Indrawan, 2022) .

Table 1.
Previous Research

Researcher	Location, Population, and Sample	Data Analysis Method	Research Results
(Putra et al., 2025)	The Property and Real Estate sector comprised a population of 240 companies for the 2017-2021 period	The study adopted a quantitative methodology, specifically employing purposive sampling for sample selection and performing multiple linear regression analysis.	Capital intensity has a negative influence on tax avoidance.
(Rifai & Atiningsih, 2019)	From 2013 to 2017, there were 47 mining companies listed on the Indonesia Stock Exchange; our research included a sample of 11 of these.	Quantitative method and multiple linear regression analysis.	Capital intensity has a negative influence on tax avoidance.
Widodo et al.	Our study focused on food and beverage companies listed on the Indonesia Stock Exchange from 2018 to 2021. Out of a total population of 48 companies, a sample of 28 was selected	Quantitative method and multiple linear regression analysis.	Inventory intensity has a positive influence on tax avoidance.
Nugrahadi & Rinaldi (2021)	food and beverage subsector companies listed on the Indonesia Stock Exchange in 2014 - 2018 population of 18 companies with a sample of 10 companies.	Quantitative method and multiple linear regression analysis.	Inventory intensity has a positive influence on tax avoidance.

Effect of Capital intensity on Tax Avoidance

Capital intensity has a negative influence on tax avoidance. This happens because when a company recognizes depreciation expense in its financial statements, the expense may not be fully recognized for tax purposes. As a result, this may increase the company's taxable income, which in turn will increase its tax burden (Putra et al., 2025) . Companies are indeed allowed to depreciate fixed assets based on the estimated useful lives established in their internal policies. However, tax provisions often have a specifically defined useful life of fixed assets and are generally shorter than the useful life projected by the company (Rifai & Atiningsih, 2019) . This difference means that companies cannot fully utilize the accounting recorded depreciation expense to reduce their tax liabilities fiscally, thus limiting the scope of tax avoidance.

H1: Capital intensity has a negative influence on tax avoidance

Effect of Inventory intensity on Tax Avoidance

Increased inventory costs due to large inventory investment (high inventory intensity) reduce taxable income and effective tax rate (ETR), which encourages companies to conduct tax avoidance through the utilization of inventory costs (Widodo et al., 2023) . Nugrahadi & Rinaldi, (2021) found that inventory costs reduce profits and profitability, which lower taxes payable. This decrease indicates an increase in tax avoidance.

H2: Inventory intensity has a positive influence on tax avoidance

Analysis Model

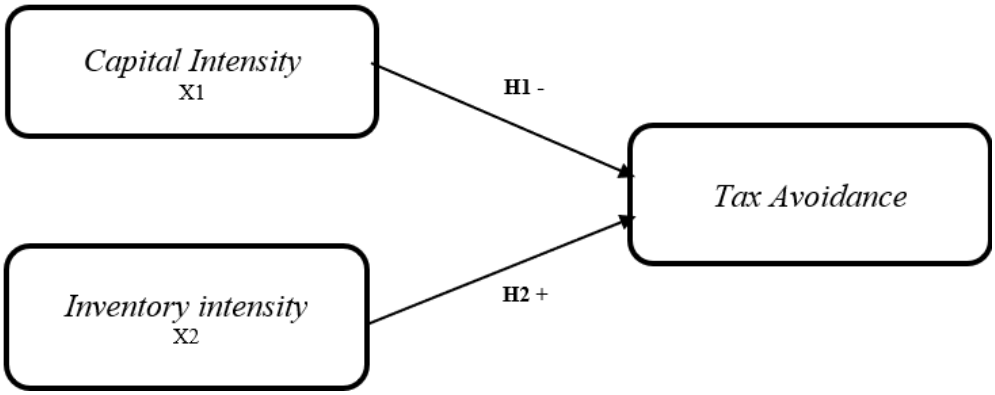


Figure 1.
Analysis Model

RESEARCH METHOD

This research, based on the definition of quantitative methods by Sugiyono (2019) which focuses on measurable and numerical data, aims primarily to explain the relationship between the independent variables, namely capital intensity and inventory intensity, and the dependent variable, tax avoidance, in order to validate the hypothesis that has been designed (Putri & Pratiwi, 2022) . In order to test the effect of the independent variables, capital intensity and inventory intensity, on the dependent variable, tax avoidance, the multiple linear regression analysis method is applied based on numerical data and can be measured objectively{Formatting Citation}

This study observes issuers engaged in the non-cyclical consumer sector on the IDX for the 2019-2023 period. The purposive sampling method was chosen as a sampling

technique because it allows researchers to determine samples based on certain criteria that are relevant to the research objectives (Ramadhina et al., 2023) . The criteria used include companies that publish financial reports from 2019-2023, companies that have fixed asset and inventory values during that period. With the criteria set, there are 78 companies that qualify to be sampled.

Table 2.
Sample Criteria

Sample Criteria	Total
Non-cyclical consumer sector companies listed on the Indonesia Stock Exchange	131
Non-cyclical consumer sector companies that are not listed on the IDX consecutively	(55)
Companies that do not have fixed assets and inventories in their financial statements	(3)
Total companies that meet the criteria	73
Total number of samples in the 2019-2023 timeframe	365

Effective Tax Rate (ETR) is an indicator of tax avoidance measurement, which is calculated from tax expense divided by profit before tax. There is an inverse relationship between the ETR value and the level of tax avoidance, where a small ETR value indicates a large level of tax avoidance) (Rahmadani et al., 2022) . ETR is obtained through calculation using the formula:

$$\text{Effective Tax Rate (ETR)} = \frac{\text{Income Tax Expanse}}{\text{Profit Before Tax}}$$

Capital intensity, which is the ratio of fixed assets to total assets, encourages tax avoidance. Fixed asset investments generate depreciation costs that can reduce taxable income and ultimately reduce tax payments (Putri & Pratiwi, 2022) . Capital intensity is obtained by the following formula:

$$\text{Capital Intensity} = \frac{\text{Total Fixed Assets}}{\text{Total Assets}}$$

Inventory intensity, as a measure of a company's investment in inventory, is positively correlated with storage and maintenance costs. An increase in these costs will reduce the company's profit, which in turn has an impact on reducing the tax burden that must be paid (Maulana et al., 2022) . The formula for calculating Inventory intensity is as follows:

$$\text{Inventory Intensity} = \frac{\text{Total Inventory}}{\text{Total Assets}}$$

Table 3.
Operational Definition of Variables

Variables	Concept	Indicator	Scale
Tax Avoidance	Tax avoidance is a legal strategy used by taxpayers, both	Income Tax Expense / Profit Before Tax	Ratio

	individuals and companies, to minimize their tax obligations through the use of weaknesses in tax regulations (Maulana et al., 2022)		
Capital Intensity	Capital intensity is a measure that shows how much the company's investment is embedded in fixed assets compared to its total assets (Nugrahadi & Rinaldi, 2021) .	Total Fixed Assets / Total Assets	Ratio
Inventory Intensity	Inventory Intensity is the ratio of inventory to total assets, which shows the level of dependence of company operations on inventory (Maulana et al., 2022)	Total Inventory / Total Assets	Ratio

Several classical assumption tests need to be met to ensure valid analysis results. The normality test is carried out to ensure that the residual data is normally distributed. The multicollinearity test aims to avoid a significant relationship between independent variables. A heteroscedasticity test is conducted to ensure that the residual variance is constant. Finally, if the data used is time series data, the autocorrelation test is carried out to detect any correlation between residuals (Maulana et al., 2022) .

Furthermore, multiple linear regression analysis was chosen because this study uses a quantitative approach to test the effect of independent variables (capital intensity and inventory intensity) on the dependent variable (tax avoidance) based on numerical data and can be measured objectively (Nugrahadi & Rinaldi, 2021) . The calculation formula for multiple linear regression analysis is as follows:

$$Y = \alpha + \beta 1.\,CI + \beta 2.\,II + \varepsilon$$

Description of the linear regression equation formula:

- Dependent Variable (Y): Value of tax avoidance.
- Constant (α): The base value of tax avoidance when all independent variables are zero.
- Independent Variable 1:
  - Capital Intensity (CI)
  - The effect is measured by the coefficient (β1).
  - The contribution to tax avoidance is β1 * CI.
- Independent Variable 2:
  - Inventory Intensity (II)
  - The effect is measured by the coefficient (β2).
  - The contribution to tax avoidance is β2 * II.
- Error (ε): A component that reflects the variation in tax avoidance that is not explained by the model.

RESULTS AND DISCUSSION

The primary objective of this research is to analyze the impact of Capital Intensity and Inventory Intensity on Tax Avoidance. Data processing and analysis were conducted using SPSS version 25 statistical software, preceded by a series of classical assumption tests to validate the underlying statistical requirements for multiple linear regression analysis.

Classical Assumption Test

The classical assumption test is conducted to ensure that the regression model used is unbiased and produces efficient estimates. The tests include multicollinearity, normality, and heteroscedasticity tests.

Multicollinearity Test

Coefficients[a]

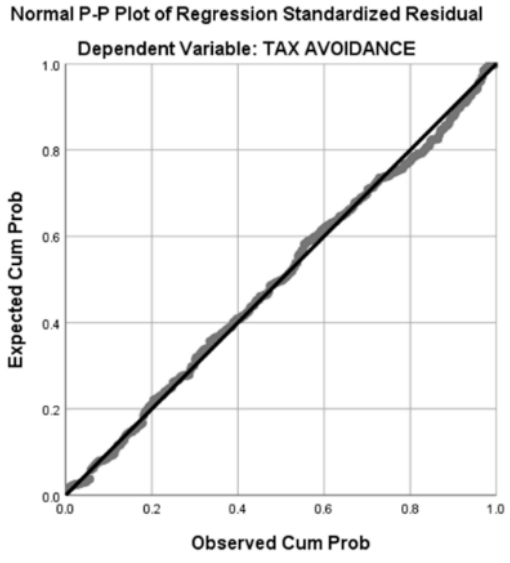
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0,454	0,005		90,279	0,000		
	CAPITAL INTENSITY	-0,403	0,013	-0,486	-31,713	0,000	0,729	1,372
	INVENTORY INTENSTY	-0,611	0,015	-0,623	-40,632	0,000	0,729	1,372

a. Dependent Variable: TAX AVOIDANCE

The multicollinearity test aims to detect whether there is a correlation between independent variables in the regression model. The multicollinearity test results show that the Tolerance value for the Capital Intensity and Inventory Intensity variables is 0.729, and the Variance Inflation Factor (VIF) value for both variables is 1.372. Referring to the general criteria (Tolerance > 0.100 and VIF < 10.00), these values are within the acceptable range. Thus, it can be concluded that there are no symptoms of multicollinearity between the independent variables in this regression model.

Normality Test

The normality test is carried out to check whether the residual data is normally distributed. This test is carried out through two methods:



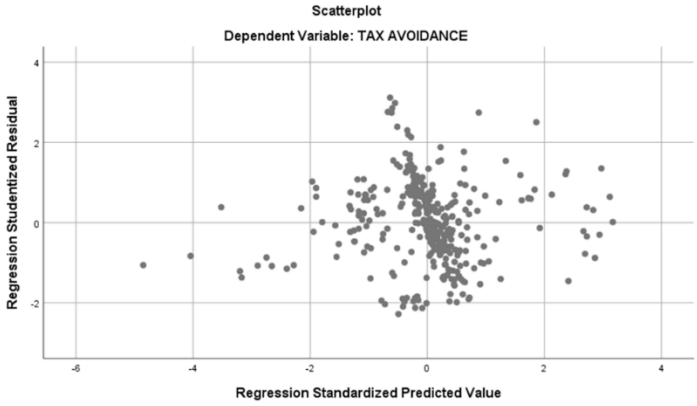
- Normal P-P Plot of Regression Standardized Residual: Based on the P-P Plot graph, it can be seen that the residual data points spread around and follow the diagonal line. This pattern indicates that the residual data is normally distributed.

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		351
Normal Parameters[a,b]	Mean	0,0000000
	Std. Deviation	0,05697596
Most Extreme Differences	Absolute	0,040
	Positive	0,040
	Negative	-0,030
Test Statistic		0,040
Asymp. Sig. (2-tailed)		.200[c,d]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

- Kolmogorov-Smirnov Test: The Kolmogorov-Smirnov test results show the significance value (Asymp. Sig. (2-tailed)) of 0.200. Since this significance value is greater than 0.05, it can be concluded that the residual data is normally distributed.

Heteroscedasticity Test



The heteroscedasticity test aims to test whether there is an inequality of variance from the residuals of one observation to another. This test is analyzed through a scatterplot. The results of the scatterplot graph show that the residual data points spread randomly above and below zero on the Y axis, and do not form a certain pattern. This distribution pattern indicates that there is no indication of heteroscedasticity in the regression model.

Multiple Linear Regression Test

After all classical assumptions are met, multiple linear regression analysis is performed to test the effect of the independent variable on the dependent variable. The multiple linear regression equation obtained is as follows:

$$\mathbf{Y = \alpha + \beta 1.CI + \beta 2.II + \varepsilon}$$

$$\text{Tax Avoidance} = 0.454 - 0.403\ \text{CI} - 0.611\ \text{II} + \varepsilon$$

The interpretation of the regression equation is:

- Constant (0.454): Indicates that if Capital Intensity and Inventory Intensity are zero, then Tax Avoidance is 0.454.
- Capital Intensity Regression Coefficient (-0.403): Indicates that each one unit increase in Capital Intensity will cause a decrease in Tax Avoidance of 0.403, assuming the Inventory Intensity variable is constant. The negative sign indicates a negative relationship between Capital Intensity and Tax Avoidance.
- Inventory Intensity Regression Coefficient (-0.611): Indicates that each one unit increase in Inventory Intensity will cause a decrease in Tax Avoidance of 0.611, assuming the Capital Intensity variable is constant. The negative sign indicates a negative relationship between Inventory Intensity and Tax Avoidance, and the effect is greater than Capital Intensity.

Hypothesis Test

Hypothesis testing is carried out to determine the significance of the influence of the independent variables on the dependent variable, both simultaneously and partially.

F Test (Simultaneous Significance Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17,911	2	8,956	2743,003	.000[b]
	Residual	1,136	348	0,003		
	Total	19,048	350			

a. Dependent Variable: TAX AVOIDANCE

b. Predictors: (Constant), INVENTORY INTENSTY, CAPITAL INTENSITY

The F test is used to determine whether the Capital Intensity and Inventory Intensity variables simultaneously (together) have a significant effect on Tax Avoidance. Based on analysis results, the calculated F value is 2743.003 with a significance level of 0.000. Because the significance value of 0.000 is less than 0.05, it can be concluded that the Capital Intensity and Inventory Intensity variables simultaneously have a significant effect on Tax Avoidance.

Test t (Partial Significance Test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,454	0,005		90,279	0,000
	CAPITAL INTENSITY	-0,403	0,013	-0,486	-31,713	0,000
	INVENTORY	-0,611	0,015	-0,623	-40,632	0,000

a. Dependent Variable: TAX AVOIDANCE

The t test is used to determine the effect of each independent variable partially on the dependent variable. The t test results show:

- Capital Intensity: The significance value is 0.000 and the t value is -31.713. Since the significance value of 0.000 is smaller than 0.05, it can be concluded that Capital Intensity has a partially significant effect on Tax Avoidance. The negative sign on the t-statistic is consistent with the negative relationship found in the regression coefficient.
- Inventory Intensity: The significance value is 0.000 and the t value is -40.632. Since the significance value of 0.000 is smaller than 0.05, it can be concluded that Inventory Intensity has a partially significant effect on Tax Avoidance. The negative sign on the t-

statistic is also consistent with the negative relationship found in the regression coefficient.

Autocorrelation Test (Durbin-Watson)

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.883[a]	.779	.778	.12125	1.803

a. Predictors: (Constant), INVENTORY INTENSTY, CAPITAL INTENSITY

b. Dependent Variable: TAX AVOIDANCE

The autocorrelation test is conducted to ensure that there is no correlation between residuals (prediction errors) in the regression model. In this study, the Durbin-Watson (DW) test was used as the main method. Durbin-Watson acceptance criteria, with dL (lower limit) and dU (upper limit) obtained from the Durbin-Watson table (dU < DW < 4 - dU), where dU is determined based on the number of samples and independent variables. The du value from the Durbin-Watson table is 1.788. The test results show a DW value of 1.803, which meets the criteria (1.788 < 1.803 < 2.212). Thus, it can be concluded that there is no autocorrelation in the regression model. This means that the model residuals do not show a repeating pattern, so the model is considered free from autocorrelation bias, and the regression analysis results can be interpreted more validly.

Coefficient of Determination (R2)

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.883[a]	.779	.778	.12125	1.803

a. Predictors: (Constant), INVENTORY INTENSTY, CAPITAL INTENSITY

b. Dependent Variable: TAX AVOIDANCE

To assess how well our model explains the variations in Tax Avoidance, we used the coefficient of determination (R2). A value of 0.779 was found, meaning that Capital Intensity and Inventory Intensity collectively explain 77.9% of the changes observed in Tax Avoidance. The remaining 22.1% of these changes are attributable to other factors not considered within this model. This strong R2 value underscores the model's significant explanatory power and highlights the substantial influence of both independent variables on tax avoidance behavior.

The results of this study reveal that an increase in Capital Intensity and Inventory Intensity is significantly correlated with changes in the level of Tax Avoidance. This indicates that firms with substantial fixed assets and inventories tend to exhibit higher tax compliance. This phenomenon can be explained by the high operational and financial visibility of these firms, which makes them subject to more intensive scrutiny by tax authorities and regulators. In more detail, companies with a dense capital structure (high Capital Intensity) and operations that rely heavily on large inventories (high Inventory Intensity) tend to avoid aggressive tax avoidance practices. This is because the potential costs and risks (legal and reputational) of non-compliance far outweigh the potential benefits of

tax avoidance. Thus, the higher the capital and inventory intensity, the greater the tendency of companies to be transparent and compliant with applicable tax regulations.

The results showed that the Inventory Intensity variable has a negative and significant effect on Tax Avoidance, which means that the second hypothesis in this study is rejected. Theoretically, the initial hypothesis states that the higher the level of company investment in inventory, the greater the company's tendency to engage in tax avoidance, because the increased storage and maintenance costs can reduce taxable income. However, empirical findings show the opposite direction of the relationship, namely that an increase in inventory intensity actually reduces the level of tax avoidance. This can be explained by several factors. First, companies with high inventory levels generally have stricter internal control systems and financial reporting, especially in the consumer non-cyclicals sector which is the focus of this study. Second, this sector is known to have stable operational characteristics and is under more intensive fiscal supervision, so companies tend to avoid aggressive tax avoidance practices. Third, the more standardized and transparent accounting treatment of inventory limits the flexibility of companies to manipulate numbers in the financial statements to reduce the tax burden. Although the hypothesis is rejected, the Inventory Intensity variable still has a major influence on Tax Avoidance, as indicated by the regression coefficient value of -0.611, a significance value of 0.000, and a t-count of -40.632, greater than Capital Intensity. This finding shows that inventory intensity is one of the key factors in explaining variations in the company's tax avoidance level. Thus, it can be concluded that the higher the company's inventory intensity, the lower the tendency to conduct tax avoidance, which reflects a better level of tax compliance.

CONCLUSION

Based on the results of data analysis and discussion, this study aims to examine the effect of Capital Intensity and Inventory Intensity on Tax Avoidance in non-cyclical consumer sector companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. The findings obtained can be concluded as follows:

- Capital Intensity has a negative and significant effect on Tax Avoidance, which means Hypothesis 1 is accepted. This shows that the higher the proportion of a company's fixed assets, the lower the level of tax avoidance. The explanation for this phenomenon is that although fixed assets cause depreciation expenses, more intensive fiscal supervision of companies with large fixed assets as well as fiscal recognition that is not always full of the depreciation expense, encourages companies to be more tax compliant.
- Inventory Intensity has a significant negative effect on Tax Avoidance, which is contrary to the previously proposed Hypothesis 2 (rejected). Although theoretically high inventory is expected to encourage tax avoidance through increased operational costs, this finding suggests otherwise. It is possible that this is due to tighter internal controls in companies with large inventories, higher operational stability and tax compliance in the non-cyclical consumer sector, as well as closer scrutiny from tax authorities on inventory accounting treatment.
- Simultaneously, both Capital Intensity and Inventory Intensity significantly affect Tax Avoidance. The F test shows that these two variables together have the ability to explain variations in the tax avoidance of the companies studied.

- The regression model has a very high explanatory power, as evidenced by the Coefficient of Determination (R^2) value of 0.779. This figure indicates that 77.9% of the variation in tax avoidance can be explained by the combination of Capital Intensity and Inventory Intensity, while the remaining 22.1% is influenced by other factors outside this research model.

Recommendation

a. For Further Researchers, it is recommended to add other independent variables (e.g. leverage, profitability, company size, corporate governance) and use more complex analysis methods (such as panel data, moderation, or mediation) for more comprehensive results. Cross-sector or country research is also recommended for generalization.
b. For Companies, Companies should manage fixed assets and inventories effectively for operational efficiency and tax compliance. Implementation of an integrated financial information system (ERP) and increased accountability of asset management are also important for transparency and reducing the risk of tax audits.
c. For Regulators (Directorate General of Taxes) can use Capital Intensity and Inventory Intensity indicators to identify tax avoidance risks, improve the mapping of industry sector characteristics for more precise supervision, and train tax auditors to better understand the specific financial structure of the non-cyclical consumer sector. The development of a data analytics-based motoring system is also needed to optimize tax law enforcement.

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