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Effect of thin capitalization, intellectual capital and independent commisioners on effective tax rate

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Abstrak

Tujuan – Penelitian ini bertujuan untuk menganalisis pengaruh Kapitalisasi Tipis, Modal Intelektual, dan Komisaris Independen terhadap Tarif Pajak Efektif. Selain itu juga bertujuan untuk menawarkan solusi atas fenomena yang berkembang di sektor industri.
Metode – Pendekatan kuantitatif digunakan, dengan menerapkan strategi penelitian eksplanatori dan teknik pengambilan sampel purposif. Populasi sampel terdiri dari 41 perusahaan, dengan data yang bersumber dari laporan keuangan tahunan mereka. Analisis data mencakup regresi linier berganda, pengujian asumsi klasik, pengujian hipotesis menggunakan uji-t, dan koefisien determinasi; alat statistik SPSS memfasilitasi analisis ini.
Temuan – Studi ini menemukan bahwa kapitalisasi tipis, modal intelektual, dan peran komisaris independen secara signifikan mempengaruhi kinerja perusahaan dan penghindaran pajak perusahaan, menyoroti pentingnya penelitian ini di sektor manufaktur.
Implikasi – Temuan ini memiliki implikasi praktis bagi manajemen perusahaan. Penelitian menyarankan bahwa modal intelektual dapat menjadi alat yang efektif untuk mengelola tarif pajak efektif, sementara peran komisaris independen memerlukan evaluasi yang cermat. Sebaliknya, kapitalisasi tipis tampaknya memiliki dampak minimal pada tarif pajak efektif.
Kebaharuan – Penelitian ini menekankan perlunya menilai efektivitas komisaris independen dalam memastikan efisiensi pajak bagi perusahaan barang konsumsi, serta pentingnya melindungi modal intelektual. Ini menyoroti keaslian dan signifikansi penelitian ini di bidang manufaktur.

Abstract

Purpose – This research aims to determine the influence of thin capitalization, intellectual capital, and independent commissioners on effective tax rates, while also addressing a growing issue in the industrial sector.

Methods – A quantitative approach was utilized, employing an explanatory research strategy and purposive sampling technique. The sample population consisted of 41 companies, with data sourced from their annual financial reports. The data analysis included multiple linear regression, classical assumption testing, hypothesis testing using t-tests, and the coefficient of determination; SPSS statistical tools facilitated this analysis.

Findings – The study found that thin capitalization, intellectual capital, and the role of independent commissioners significantly influence company performance and corporate tax avoidance, highlighting the importance of this research in the manufacturing sector.

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Implications - These findings have practical implications for company management. They suggest that intellectual capital can be an effective tool for managing effective tax rates, while the role of independent commissioners warrants careful evaluation. Conversely, thin capitalization appears to have minimal impact on effective tax rates.

Originality – This research underscores the need to assess the effectiveness of independent commissioners in ensuring tax efficiency for consumer goods companies, as well as the necessity of protecting intellectual capital. This highlights the originality and significance of the study in the manufacturing field.

INTRODUCTION

This research focuses on consumer goods manufacturing companies because this sector is relevant to variables such as Thin Capitalization, Intellectual Capital, and Independent Commissioners, which influence the Effective Tax Rate (ETR). Based on the classification of the Indonesia Stock Exchange (IDX), companies in this sector are categorized into Primary Consumer Goods, such as food and beverages, and Non-Primary Consumer Goods, such as clothing and hobby items, reflecting the actual conditions of the manufacturing industry specifically. Taxes, as mandatory contributions from individuals or companies, have become a vital pillar for Indonesia's economic growth, contributing up to 80% of the country's revenue over the past three years (Wardhana et al., 2022). As of June 2023, the country's tax revenue reached IDR 970.2 trillion, or 56.47% of the State Budget (APBN) target, highlighting the strategic role of taxes in supporting infrastructure projects and development programs (Falbo & Firmansyah, 2021).

Taxes are obligatory contributions that people or corporations make to the government for the purpose of promoting public welfare, but they do not get any kind of direct compensation for their contributions (Utami & Budiantara, 2024). Not only is paying taxes a civic responsibility for residents, but it also gives them the opportunity to take part in the financial decisions that are made by the government. According to the data, taxes have accounted for eighty percent of the state's income throughout the course of the preceding three years. This statement highlights the crucial role that the Directorate General of Taxes (DJP) plays in optimizing tax revenues for the sake of national growth (Wardhana et al., 2024). However, there are still substantial obstacles within the framework of the tax system. According to Ivanda et al. (2024), disagreements between taxpayers and the government frequently result in attempts to reduce the amount of taxes paid by taxpayers, which involves the use of both legal and unlawful methods. The paying of taxes is seen by some taxpayers as a burdensome financial obligation that needs to be alleviated. In addition, in order for the government to maintain its activities, it requires a substantial amount of financial resources; hence, tax revenues are an essential source of funding. People are typically motivated to look for methods to lower their tax payments as a result of this discrepancy. According to (Sulistiyanti & Saputra, 2020), this issue is made worse by loopholes in tax legislation that taxpayers may use in order to reduce or eliminate their tax obligations. In accordance with the findings of a study that was carried out by the Tax Justice Network and published by Kontan.co.id, Indonesia suffers a loss of up to 4.86 billion US dollars annually as a result of tax evasion. This amount is equivalent to 68.7 trillion Rp at the current exchange rate. Approximately 4.78 billion US dollars, which is equivalent to 67.6 trillion Rp, of this loss may be attributed to tax fraud committed by Indonesian companies. Individual taxpayers are responsible for 78.83 million US dollars, which is equivalent to 1.1 trillion Rp. Due to the fact that a decrease in state income might restrict the state's capacity to finance development initiatives and public services, the government is extremely concerned about the effects of such losses.

The presence of thin capitalization in a company's financial structure is indicative of a large share of long-term debt within the structure. Thin capitalization is the situation that a company organization is in when it is financed by more debt than equity, as stated by the Organization for Economic Cooperation and Development (2012). Those entities that demonstrate a high amount of leverage or gearing are classified according to this categorization. For a number of reasons, including the fact that interest debt and interest expenditure deductions can be taken out of taxable income, the amount of debt that is utilized to support a business organization has an impact on the taxes of that business entity. According to (Miller, 1983), enterprises that have a high leverage ratio pay a lower amount of capital gains tax. With the use of this strategy, multinational corporations can enhance their tax duties in countries with high tax rates, which will result in a reduction in their overall tax burden.In subsequent study, it has been established that the impact of various tax rates between nations has been demonstrated, and this has been related to the financial arrangements of multinational corporations that are meant to decrease their corporate tax responsibilities (Badertscher et al., 2013). The research conducted by (Jacoby et al., 2019), which observed the Chinese capital market between the years 1998 to 2004, is only one of the many studies that lend evidence to this assertion. In their investigation, they discovered that leverage had a significant and detrimental impact on the effective tax rate (ETR). According to the findings of study carried out in Australia by (Lanis & Richardson, 2013), leverage has a considerable impact on the effective tax rate (ETR) of the corporation.According to the agency hypothesis, management and shareholders generally have the goal of maximizing profits, which frequently results in a significant amount of tax liability.

According to Dewi et al. (2023), management frequently employs a thin capitalization approach in order to minimize the imposition of taxes while maintaining the performance of the firm. Thin Capitalization reflects a company's strategy of minimizing tax burdens through increasing debt rather than equity. From an agency perspective, this practice reflects a dominant relationship between business entities and tax authorities, where companies prioritize reducing tax liabilities as a form of financial efficiency. According to Nurhidayati & Fuadillah (2018), a business strategy that is referred to as "thin capitalization" entails the utilization of a greater proportion of debt in comparison to equity investment. This method is frequently utilized to fund subsidiaries or branches (Gouwvara & Susanty, 2023). It does so by establishing one-of-a-kind partnerships with organizations that are inside the same industry. According to Putri & Mayangsari (2023), businesses may choose to take on more debt in order to create interest expenditures that are deductible from taxable income. This is done in order to lower the amount of tax obligations that they are responsible for paying. According to Putri & Rohman (2024) findings, thin capitalization has asitive influence on tax evasion. According to Hananto (2022), who demonstrate that thin capitalization does ot have a favorable influence on activities related to tax evasion, this assertion is supported.

Intellectual Capital reflects intangible resources that provide a competitive advantage for a company. In the context of agency, companies that have strong intellectual capital tend to be more transparent and compliant with tax obligations, as a form of harmony and social responsibility towards the state. Sumedrea (2013) defines intellectual capital as "intellectual resources that have been institutionalized, recorded, and used to produce wealth through the construction of high-value assets." This definition describes the concept of intellectual capital. According to Muasiri & Sulistyowati (2021), intellectual capital is a measurement of the contribution that both tangible and intangible assets may make t the production of value for a company. These assets include things like technology, information, human capital, and brand image. The introduction of Financial Accounting Standards Statement (PSAK) No. 19 on intangible assets marked the beginning of the expansion of the phenomenon of intellectual capital in Indonesia. The term "intangible assets" refers to assets that are not tangible and do not have monetary value. These assets are recognized and utilized in the production or delivery of products and services, leased to third parties, or utilized for administrative reasons. Verawaty (2022), demonstrates that intellectual capital has been given attention, despite the fact that it is not being specifically referred to as IC. The agency conundrum is a tension that often occurs between the principal and agent of an organization. Agency theory provides an explanation for this difficulty (Jensen et al., 1976). The connection between the principal and the agent is characterized by this idea, which describes the relationship in which the principal invests faith in the agent. It is possible for agency concerns to have an effect on tax planning due to the fact that the agent would like to maximize their pay by increasing their earnings, while the principal would like to minimize their tax burden by declaring smaller profits (Shahwan & Habib, 2020). In the event that the problem of tax planning is managed and arranged in an acceptable manner. There is an inextricable connection between the quality of the financial statements that are provided by the management of the firm and the values of the tax component. There is an inextricable connection between the duties of managers and the intellectual capital that is invested by the company (Tambun, 2020). This capital symbolizes the organization's ambition to make the most of its resources in order to achieve optimal management. In the event that all resources, including the debts of the organization, are managed in the most effective manner, they will be the focus of the most attention. In order to effectively manage debt, it is necessary to be able to create sufficient revenue to meet both the interest payments and the principal repayments (Obeidat et al., 2017).

Increased financial performance for firms is frequently the outcome of effective management of information technology (IC). Because of this, businesses are able to change their tax liability by increasing the amount of earnings that they declare. The increase in the corporation's earnings is accompanied by an increase in the Effective Tax Rate (ETR). As a consequence of this, it have been hypothesized that IC enhances ETR. According to the findings of (Sujarwo & Sjahputra, 2022) investigation, the variable of intellectual capital, which is assessed by VAIC, has a significant influence on the Effective Tax Rate (ETR). This, however, runs counter to the assertions made by (Meiry & Estralita Trisnawati, 2022).

Independent Commissioners are members of the business's management who are not affiliated with controlling shareholders, who do not have any affiliations to the board of directors or the board of commissioners, and who do not represent the firm in any capacity as directors or commissioners. Independent commissioners are responsible for a variety of important responsibilities, such as ensuring that the business's plan is carried out in line with the applicable legislation and acting as an unbiased mediator in conflicts that arise between company commissioners and shareholders. As stated by the National Committee on Governance Policy (2006), the audit committee provides assistance to commissioners in order to guarantee that the financial statements are in conformity with standards that are generally recognized (Taebenu & Valentine Siagian, 2023). Independent Commissioners, as part of corporate governance, are tasked with overseeing fair and efficient operational practices. In agency theory, the presence of dominant independent commissioners can cause conflict between efforts to maintain tax compliance and profit optimization, thus reflecting tensions between management and external authorities.

In order for the corporation to be successful in its forceful objectives, the independent commissioners are essential. Indicative of the fact that the management of all corporate operations will be subject to continuous scrutiny is the growing presence of independent commissioners within a business. The presence of independent commissioners inside the organization makes it highly unlikely that aggressive tax procedures will be used within the organization (Emanuel et al., 2023). This is because independent commissioners guarantee that the organization complies with applicable norms and regulations that apply to income tax obligations. An increase in the number of independent commissioners serves to improve monitoring, which in turn helps to mitigate the aggressive tax methods that are adopted by management. In their capacity as overseers, independent commissioners provide direction to the management of the corporation, directing them to maximize profits for stakeholders while adhering to applicable legislation (Hilmi et al., 2022). In order to determine whether or not management is adhering to applicable tax duties in the process of profit generating, this examination is carried out. It is possible that the presence of independent commissioners will have an effect on the degree of tax aggression displayed by the corporation.

Incorporating independent commissioners into a company results in an increase in the ETR value of the corporation. It may be deduced from this that businesses that have a substantial number of independent commissioners are less likely to engage in tax avoidance. Octavianingrum & Mildawati (2018), came to the conclusion that an increased effective tax rate is correlated with a bigger number of independent commissioners. The findings of this research are in agreement with those of Nordiansyah et al. (2022). Taebenu & Siagian (2023), conducted a research that found independent commissioners did not have an influence on the effective tax rate. This finding stands in contradiction to the findings of the aforementioned study. Octavianingrum & Mildawati (2018) and Romadhina (2020), who argued that independent commissioners had a negligible influence on tax evasion, is contradicted by this information. The findings of the research conducted by Amelia & Febyansyah (2023) and Hananto (2022) indicate that independent commissioners have an impact on tax evasion attempts.

His study contributes to the understanding of the relationship between Intellectual Capital, Independent Commissioners, and Thin Capitalization in relation to the Effective Tax Rate (ETR) in consumer goods companies. It highlights a significant positive effect of Intellectual Capital on ETR, providing optimism for companies seeking to enhance their tax efficiency. Conversely, the study indicates a negative effect of Independent Commissioners on ETR, offering valuable insights for companies aiming to optimize their corporate governance. Additionally, while the impact of Thin Capitalization appears modest, a detailed examination is essential for optimizing a company's financial structure. This research underscores the importance of strategic intellectual management and corporate governance practices in maximizing tax efficiency.

The concept of agency theory was introduced in 1973 (Taebenu & Siagian (2023). It highlights the relationship between the principal (company owner) and the agent (manager), which is based on a contract where the agent is expected to act in the best interests of the principal. In essence, agency theory examines the dynamics between the owner and the manager in an organization. A key challenge that can undermine this relationship is information asymmetry, where one party has more or better information than the other, leading to potential issues such as overinvestment or underinvestment (Sujarwo & Sjahputra, 2022). This imbalance can influence an investor's perception and stock pricing, as the information provided by the company becomes a crucial factor in investment decisions (Susy & Nuryani, 2022). Agency theory serves to address these challenges by recommending governance mechanisms to mitigate the risks posed by the agent's actions in a shared ownership structure (Gouwvara & Susanty, 2023).

According to Dewi et al. (2023), management frequently employs a thin capitalization approach in order to minimize the imposition of taxes while maintaining the performance of the firm. Thin Capitalization reflects a company's strategy of minimizing tax burdens through increasing debt rather than equity. From an agency perspective, this practice reflects a dominant relationship between business entities and tax authorities, where companies prioritize reducing tax liabilities as a form of financial efficiency. According to Nurhidayati & Fuadillah (2018), a business strategy that is referred to as "thin capitalization" entails the utilization of a greater proportion of debt in comparison to equity investment. This method is frequently utilized to fund subsidiaries or branches (Gouwvara & Susanty, 2023). It does so by establishing one-of-a-kind partnerships with organizations that are inside the same industry. According to (Putri & Mayangsari, 2023), businesses may choose to take on more debt in order to create interest expenditures that are deductible from taxable income. This is done in order to lower the amount of tax obligations that they are responsible for paying. According to Putri & Rohman (2024) findings, thin capitalization has a positive influence on tax evasion. In light of this, the following hypothesis might be put forward:

H_1: Thin Capitalization Has a Positive Effect on Tax Avoidance

Intellectual Capital reflects intangible resources that provide a competitive advantage for a company. In the context of agency, companies that have strong intellectual capital tend to be more transparent and compliant with tax obligations, as a form of harmony and social responsibility towards the state. Increased financial performance for firms is frequently the outcome of effective management of information technology (IC). Because of this, businesses are able to change their tax liability by increasing the amount of earnings that they declare. The increase in the corporation's earnings is accompanied by an increase in the Effective Tax Rate (ETR). As a consequence of this, it have been hypothesized that IC enhances ETR. According to the findings of Sujarwo & Sjahputra (2022) investigation, the variable of intellectual capital, which is assessed by VAIC, has a significant influence on the Effective Tax Rate (ETR). Who said the reverse.

H_2: Intellectual Capital Has a Positive Influence on Tax Avoidance

Independent Commissioners, as part of corporate governance, are tasked with overseeing fair and efficient operational practices. In agency theory, the presence of dominant independent commissioners can cause conflict between efforts to maintain tax compliance and profit optimization, thus reflecting tensions between management and external authorities. In order for the corporation to be successful in its forceful objectives, the independent commissioners are essential. Indicative of the fact that the management of all corporate operations will be subject to continuous scrutiny is the growing presence of independent commissioners within a business. The presence of independent commissioners inside the organization makes it highly unlikely that aggressive tax procedures will be used within the organization (Emanuel et al., 2023). Came to the conclusion that an increased effective tax rate is correlated with a bigger number of independent commissioners (Octavianingrum & Mildawati, 2018). The findings of this research are in agreement with those of Nordiansyah et al. (2022). Taebenu & Siagian (2023) conducted a research that found independent commissioners did not have an influence on the effective tax rate. This is how the theory is proposed:

H_3: Independent commissioners have a positive influence on tax avoidance

METHOD

The influence of Thin Capitalization, Intellectual Capital, and Independent Commissioners on company performance is investigated in this quantitative study applying an explanatory research methodology. Population in the context of research is all the elements or individuals with particular traits of relevance (Sugiyono., 2019). Population is an assembly of things or people from which samples will be drawn for the aim of the research. A sample is an assembly of people chosen from the population for use as study subjects. Samples have to be chosen such that the findings of the research may be applied to a bigger population. With a purposive sampling method, the research population consists of a consumer products manufacturing firm registered on the Indonesia Stock Exchange (IDX), with 41 enterprises as samples. Purposive sampling is a kind of sampling in which certain aspects chosen are thought to offer the most pertinent and helpful data for a given research project (Sugiyono., 2019). The authors used the same research object for four years for data consistency and to detect recurring patterns or trends in the relationship between research variables. This approach allows to recognize long-term trends, coughs, or specific time effects, while reducing temporary bias due to specific events in one period. With data over several years, the research results become more representative of real conditions, increasing external validity and accuracy of the findings. In addition, this longitudinal data analysis increases statistical power, making it more capable of detecting significant relationships between independent and dependent variables. The use of secondary data from annual financial reports also facilitates access to relevant historical data.

Research Variables and Operational Definitions

Tax Avoidance

Tax avoidance refers to tactics used by a company to reduce its tax responsibilities by exploiting loopholes in tax legislation while maintaining within legal bounds. The Effective Tax Rate (ETR) is a statistic that measures the ratio of taxes paid to taxable profits (Susy & Nuryani, 2022). The Effective Tax Rate (ETR) is determined by dividing the income tax cost by the profit before taxes. According to research, the Effective Tax Rate (ETR) has a negative link with the level of corporate tax evasion (Moch Rajendra & Hermi, 2023). The following formula is used to determine the ETR:

$$ETR = \frac{Income\ Tax\ Exspense}{Earning\ Before\ Tax} \quad \text{.....(1)}$$

Thin Capitalization

The term "thin capitalization" describes a scenario in which the debt-to-equity ratio of a corporation is extremely high, which may encourage tax avoidance (Putri & Rohman, 2024). As a result of the fact that interest on loans is tax-deductible, the company prefers to finance its operations through debt rather than stock. This allows the company to reduce its overall tax obligation. This variable may be determined by utilizing the Debt-to-Equity Ratio (DER), which compares the amount of debt held by the firm to the amount of equity held by the company (Hananto, 2022). formula is:

$$Debt\ to\ Equity\ Ratio = \frac{Total\ Liabilities}{Total\ Equity} \quad \text{.....(2)}$$

Intellectual Capital

The concept of intellectual capital (IC) is a concept that was developed to measure the intangible resources that a firm possesses (Meiry & Estralita Trisnawati, 2022). This concept has the potential to give a competitive edge as well as added value. One is able to quantify intellectual capital (IC) with the assistance of the Value Added Intellectual Coefficient (VAIC) model, which is comprised of three essential components: Human Capital Efficiency (HCE), Structural Capital Efficiency (SCE), and Capital Employed Efficiency (CEE). This is how the VAIC calculation is performed Meiry & Trisnawati (2022):

$$VAIC = HCE + SCE + CEE \quad \text{.....(3)}$$

Independent Commissioner

One of the most important roles that independent commissioners perform is in the process of establishing and supervising the strategies that the company uses in regard to its management (Hilmi et al., 2022). The firm's administration is overseen by independent commissioners who make certain that the company adheres to the plans that have been outlined and that it complies with the regulations, therefore preventing acts that are in violation of the law. Emanuel et al. (2023) uses the following criteria to evaluate independent commissioners in order to determine their effectiveness:

$$KI = \frac{Number\ of\ Independent\ Commissioners}{Total\ Number\ of\ Members\ of\ The\ Board\ of\ Commissioners} \quad \text{.....(4)}$$

Independent Commissioner (KI) is the ratio between the number of independent commissioners and the total number of members of the board of commissioners.

Methods of Data Analysis

This method is applied when researchers wish to investigate certain traits in individuals with thorough understanding of the subject of study. The information utilized is secondary, derived from the yearly financial report of the firm (Ghozali., 2018). Multiple linear regression analysis with classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation) and hypothesis testing via t-test and coefficient of determination employing SPSS software was used in data analysis. Analysis of the connection between one or more independent variables and a dependent variable employs the method of regression. Often used to forecast or explain the value of a dependent variable depending on the observed independent variables is regression. Hypothesis testing in this research uses a multiple linear regression model.

$$ETR_{it} = \alpha + \beta_1 ThinCapitalization_{it} + \beta_2 IC_{it} + \beta_3 KI_{it} + \varepsilon \quad \text{......(5)}$$

ETR refers to the effective tax rate. Thin capitalization is represented by the debt-to-equity ratio. IC stands for intellectual capital. KI indicates an independent commissioner.

RESULTS AND DISCUSSION

Result

Table 1 presents the thin capitalization variable, Thin Capitalization has a minimum value of 0.10 and a maximum of 7.64, with an average of 1.4257 and a standard deviation of 1.23973. This shows that the debt-to-equity ratio varies significantly among the companies observed. Intellectual Capital has a fairly wide range, from -37.32 to 34.62, with an average of 8.2042 and a standard deviation of 33.00827. The large variation in this value indicates that companies have very different levels of intellectual capital management and valuation from each other. For Independent Commissioner, the proportion of independent commissioners in the company ranges from 20% to 83%, with an average of 42.44% and a standard deviation of 0.13447. This figure shows that most companies have implemented relatively good governance practices with the presence of adequate independent commissioners. Effective Tax Rate (ETR) varies from -4.25 to 19.68, with a mean of 1.0608 and a standard deviation of 3.14849. This wide range of values suggests that some firms may be taking advantage of tax incentives or tax avoidance strategies, while others are paying higher taxes. There is no missing data in this analysis, with a consistent sample size of 164 firms for each variable. This suggests that the data are representative enough and can be used for further analysis.

Table 1. Descriptive Statistics

Variables	N	Regression			Std. Deviation
		Minimum	Maximum	Mean	
Thin Capitalization	164	0.100	7.640	1.426	1.239
Intellectual Capital	164	-37.320	34.620	8.2042	33.008
Independent Commisioner	164	0.200	0.830	0.4255	0.1338
Effective Tax Rate	164	-4.250	19.680	0.8413	2.8116

According to Table 2, the results of the regression analysis indicate that Intellectual Capital and Independent Commissioners have a significant effect on the Effective Tax Rate (ETR) at a significance level of 5%, while Thin Capitalization has no significant effect. The constant of 1.212 indicates that if all independent variables are zero, then the average ETR is 1.212. Intellectual Capital has a coefficient of 0.008 with p = 0.000, which means that the higher the company's intellectual capital, the higher the effective tax rate it pays. Independent Commissioners have a coefficient of -1.207 with p = 0.002, indicating a negative and significant effect on ETR, meaning that the greater the proportion of independent commissioners, the lower the company's effective tax rate. Meanwhile, Thin Capitalization has a coefficient of -0.091 with p = 0.067, which is greater than 0.05, so it does not have a significant effect on ETR, although it shows a negative tendency. Considering the critical value of t = 1.96 at a 5% significance level, Intellectual Capital and Independent Commissioners have t-values of 4.467 and -7.456, respectively, both exceeding the critical value, confirming their significant influence, whereas

Thin Capitalization, with a t-value of -1.844, does not surpass the threshold, reinforcing its insignificance.

Table 2. Hypothesis Test Results

Model	Unstandardized Coefficients	Standardized Coefficients			Sig.
	B	Std. Error	Beta	t	
(Constant)	1.212	0.199		6.093	0.000
Thin Capitalization	-0.091	0.049	-0.140	-1.844	0.067
Intellectual Capital	0.008	0.002	0.331	4.467	0.000
Independent Commissioner	-1.207	0.454	-0.035	-7.456	0.002
N			164		
Adjusted R^2			0.108		
F-stat			7.608		
F sig			0.000		

At the 5% significance level, the overall regression model appears to be significant, evidenced by an F-count value of 7.608 and a significance level of 0.000. Since this significance criterion is less than 0.05, we can conclude that a strong relationship exists between the dependent variable and the combination of independent factors. To assess the overall variance of the model, we can sum the individual variances of the regression and residual components, resulting in a total of 105.481. The Adjusted R-Squared value of 0.108, which accounts for the number of predictors in the model, indicates a slightly reduced explanatory power after adjustment. The standard error of the estimate reflects the average deviation of the observed Effective Tax Rate (ETR) values from the predicted values. Overall, the model demonstrates low explanatory power, highlighting the need for additional variables to better account for variations in ETR. The standard error of the estimate helps evaluate the accuracy of the regression model. A lower value suggests that the model is effective at predicting the dependent variable.

Discussion

The Effect of Thin Capitalization on Dependent Variables

A coefficient of -0.091, a t-value of -1.844, and a significance level of 0.067 are all associated with the concept of thin capitalization. Due to the fact that the significance value is more than 0.05 and the t-count (1.893) is lower than the t-table (1.96), this variable does not meet the criteria for statistical significance at the 99 percent confidence level. It may be deduced from this that the dependent variable inside the model is not significantly impacted by the technique of thin capitalization. A circumstance in which a company's capital structure comprises a high debt to equity ratio is referred to as thin capitalization (Hananto, 2022). This is a theoretical understanding of the term. For this particular scenario, the major objective of a thin capitalization approach is frequently to avoid paying taxes. Nevertheless, the limited findings suggest that the strategy of utilizing a greater proportion of debt in comparison to equity does not exert a consistent impact on the financial performance or behavior of the organization, as evaluated by the dependent variable (Dewi et al., 2023).

Changing corporate behavior in response to thin capitalization may be possible, according to the Agency Theory hypothesis (Jensen et al., 1976), if cultural norms, external forces, and tax legislation are taken into consideration. In accordance with the Kegagenan thesis, commercial enterprises endeavor to acquire legitimacy from many stakeholders, including regulatory bodies, government agencies, and society as a whole. It is possible that businesses may be unwilling to apply Thin Capitalization aggressively in this environment due to the stringent oversight that they will get from tax authorities or financial regulators (Putri & Mayangsari, 2023). Therefore, this is in line with the Thin Capitalization control policy that was established by the Indonesian tax code. This policy places restrictions on the ratio of debt to equity. However, present legislation and cultural standards may restrict its impact on corporate financial measurements, which is consistent with the variable's minimum findings in statistical analysis (Gouwvara & Susanty, 2023). This is the case despite the fact that Thin Capitalization has the ability to increase tax efficiency while also limiting its influence. According to (Putri & Rohman, 2024) findings, thin capitalization has a positive influence on tax evasion. According to Hananto (2022), who demonstrate that thin capitalization does not have a favorable influence on activities related to tax evasion, this assertion is supported.

The Influence of Intellectual Capital on Dependent Variables

With a coefficient of 0.008, a t-value of 4.467, and a significance level of 0.000, Intellectual Capital is a statistically significant variable. Intellectual Capital has a substantial and positive influence on the dependent variable, as demonstrated by the fact that the significance threshold is smaller than 0.05 and the t-value (2.267) is more than the t-table value (1.96). The presence of a positive coefficient shows that adding more Intellectual Capital can lead to an improvement in the performance of the variable that is being reliant upon. The construction of intellectual capital may be broken down into three distinct components, relational capital, structural capital, and human capital. The operational efficiency, innovativeness, and competitiveness of the firm are all significantly improved as a result of these traits

A strategic value that can increase the efficiency of the firm and impact financial behavior with regard to the dependent variable is provided by intellectual capital, which is an intangible asset (Meiry & Estralita Trisnawati, 2022). As per the Agency Theory hypothesis, firms that possess a substantial amount of intellectual capital have a greater likelihood of preserving both their social legitimacy and their business reputation (Jensen et al., 1976). Stakeholder credibility may be improved when firms are able to grow and provide services to the community, which is made possible by the availability of strong intellectual capital and the management of that capital (Verawaty, 2022). In accordance with this notion, companies that are considered to possess a considerable amount of intellectual capital are more transparent and accountable when it comes to presenting their financial and social performance. The reputation of the firm among financial authorities, customers, and investors is enhanced as a result of this. As a consequence of this, the positive effect that Intellectual Capital has on the dependent variable may be interpreted as a component of the company's attempts to preserve its legitimacy and to boost the confidence of its stakeholders. The research conducted by (Sujarwo & Sjahputra, 2022), comes to the conclusion that the variable of intellectual capital, which is assessed by VAIC, exerts a significant amount of effect on the Effective Tax Rate (ETR). This, however, runs counter to the assertions made by (Meiry & Trisnawati, 2022), who said the reverse.

The Influence of Independent Commissioners on Dependent Variables

Independent Commissioners, with a coefficient of -1.207, a t-value of -7.456, and a significance level of 0.002, play a crucial role in the statistical parameters. Their significance threshold, lower than 0.05, and the significantly higher t-count (7.456) than the t-table (1.96) value, lead to the conclusion that the Independent Commissioner variable exerts a substantial and unfavorable effect on the dependent variable. The increase in the number of Independent Commissioners results in a decrease in the value of the dependent variable, as indicated by the negative coefficient, which stands for the coefficient of determination. Independent commissioners are indispensable in enhancing the oversight and governance of companies (Hananto, 2022). They ensure that organizations adhere to good corporate governance (GCG) principles. The increased supervision by Independent Commissioners may influence financial management and push companies to adopt more cautious financial policies (Romadhina, 2020).

Agency Theory argues that the negative impact of Independent Commissioners may stem from the pressure they face to comply with external criteria and regulations (Jensen et al., 1976). Typically, independent commissioners serve as internal regulators, ensuring that businesses follow rules, societal norms, and stakeholder expectations (Emanuel et al., 2023). his pressure may lead companies to limit their short-term profit increases, potentially through tax evasion or financial performance manipulation (Taebenu & Siagian, 2023). Their role in monitoring compliance with external norms and policies can limit management's authority over financial control. As independent overseers, they bear this responsibility. Consequently, incorporating more powerful Independent Commissioners into the organizational management structure could diminish the dependent variable's influence by enhancing monitoring mechanisms. However, it is important to note that the research findings have certain limitations. Studies by Hilmi et al. (2022), discovered that independent commissioners had an effect. This finding stands in contradiction to the findings of the aforementioned study. Octavianingrum &

Mildawati (2018) and Romadhina (2020), who argued that independent commissioners had a negligible influence on tax evasion, is contradicted by this information. The findings of the research conducted by Amelia & Febyansyah (2023); Hananto (2022) indicate that independent commissioners have an impact on tax evasion attempts.

CONCLUSION

The results indicate that Intellectual Capital has a significant positive effect on the Effective Tax Rate (ETR), while Independent Commissioners have a notable adverse effect. Conversely, Thin Capitalization does not appear to have a significant impact on the ETR. These findings suggest that strategic management that focuses on intellectual assets and corporate governance is essential for maximizing tax efficiency. By understanding these dynamics, companies can make informed decisions to optimize their tax strategies, leading to improved financial performance and competitiveness.

In conclusion, this study makes a key contribution by exploring the relationships between Intellectual Capital, Independent Commissioners, and Thin Capitalization concerning the Effective Tax Rate in consumer goods companies. The findings highlight the significant positive impact of Intellectual Capital and the negative effect of Independent Commissioners on the ETR. This suggests that companies can enhance their tax efficiency by optimizing their intellectual resources and corporate governance practices. Additionally, while Thin Capitalization has a minor effect, it should still be examined to improve the company's financial structure. Furthermore, the study enhances our understanding of how strategic management of intellectual resources and corporate governance practices can be utilized to maximize tax efficiency.

However, the research has limitations, including its focus solely on consumer goods companies and reliance on historical data, which may not accurately reflect current tax practices in these firms. This research is limited by sampling only consumer product firms. Thus, the results cannot be applied to other industries since they are fundamentally different. Not all factors affecting the Effective Tax Rate may have been addressed while choosing research variables. These include the macroeconomic climate and tax legislation. Another problem is that the study only examined historical data, which may not reflect current tax administration in consumer products firms. These constraints underscore the urgency for a new study that broadens the industry's scope or adds other relevant traits to provide a more comprehensive understanding of tax efficiency.

STATEMENT OF COMPETING INTEREST

The authors confirm that there are no known conflicts of interest associated with this publication and that there has been no significant financial support that could have influenced its outcome.

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