Do Human Capacity Development and Company Performance affect Tax Avoidance?

New Evidence from Manufacturing Sector Companies in Indonesia

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Abstract. This study aims to prove whether human capacity development and company performance affect tax avoidance in Indonesia. Tax avoidance is a crucial problem that has an impact on state revenues, including in Indonesia. Tax avoidance is influenced by many factors, one of which is humans as taxpayers with tax obligations. However, we investigate that not many researchers have investigated the effect of human capacity development on tax avoidance empirically. To investigate this, we try to observe financial data and disclosure of human capacity development in the annual reports of companies in the manufacturing sub-sector on the Indonesia Stock Exchange. Political cost theory, political power theory, and agency theory are the theoretical framework for this research. Using the purposive sampling method, our research uses a population of manufacturing companies with 210 populations in the 2005-2021 observation period. The analytical method used in this research is Partial Least Square-Structural Equation Modeling. This method was chosen to use more than one endogenous variable in a research model. Our findings show that the disclosure of human capacity development in companies and company performance can directly affect tax avoidance. However, our findings suggest that disclosure of human capacity development through moderating corporate performance does not affect tax avoidance. These results are significant for research on tax avoidance in Indonesia. This research can serve as an additional framework for developing tax avoidance research that is measured quantitatively through existing proxies.

Keywords: *company performances, tax avoidance, human capacity development*

INTRODUCTION

The success achieved by an organization cannot be separated from the critical role of human resources or HR (1,2). Human resource management is a strategic function in a business (3), where it is essential to formulate the organization's strategy to achieve its goals and put the strategic plan into action to confront competition. Therefore, an organization must be committed to developing a highly competent workforce with the agility and mindset to continue to grow and adhere to corporate values to run a business amid a dynamic industrial development. The quality of human resources (HR) depends on a combination of quality talent recruitment (4,5), continuous competency development (4,5), talent management (6–8), and leadership development programs (9,10). Under conditions of intensifying global rivalry, the development of HR is a crucial company that is required to participate in worldwide trade/competition (9,10). Human resource development is one method of enhancing employees' abilities to do various jobs and apply the necessary skills in line with the available employment. These development activities are advantageous for both the business and each person. The appropriate skills and experience of employees and management may enhance the organization's competitiveness and capacity to react to a changing environment, mainly when there is external turmoil (9,10).

Increasing human resources capacity in a company empirically has a significant effect on company performance (11–14). Professional and talented human resources, directly or indirectly, will help the sustainability of the company's overall commercial activity (15,16). Human resource development at least has the purpose of enhancing productivity, improving the quality of the workforce, increasing accuracy in HR planning, increasing morale, recruiting and keeping good workers, preserving occupational health and safety, and fostering personal growth (17). The utilization of technological breakthroughs is one technique to boost organizational productivity. Training and development help update staff abilities according to technology changes. This results in higher productivity, with staff able to execute jobs utilizing new approaches and ways with more effective and efficient technological systems (18–20). Training and development help employees have better opportunities to get their jobs done. This will indirectly assist employees in producing better services or goods. Employee skills after training and development will be better. Thus, it will be easier for them to pass on their knowledge and expertise to their successors in the future (21). A series of positive reactions can result from a well-planned company training program. Armed with the skills, knowledge, and new skills they get, it provides motivation and new views in doing their next job. Training and development for existing employees are much more cost and time efficient than recruiting new human resources. This will make employees feel confident and care about their needs in getting the job done (22–24). Ultimately, there will be a feeling of being more at home and automatically motivate employees' professionalism. Training and development allow employees to appreciate better the size of the risk and responsibility for the job to be carried out (25,26). Consequently, enhancing safety awareness and preserving their physical and mental health to obtain optimal performance. Training and development programs strengthen staff abilities and accelerate the acquisition of new ones. Low individual abilities/skills make it more time-consuming and challenging for employees to attain workplace competence (24,27–29).

One of the specific goals of human resource development in corporations is the efficiency of taxes the company pays. Freire-Serén & i Martí (30) say that the relationship between human resources and tax avoidance is clear. Increasing the capacity of employees is needed to carry out corporate tax planning. Previous studies suggest that taxpayers who engage in aggressive tax planning are much more educated than taxpayers from the general population (31). This logic is supported by positive accounting theory, namely political cost and political power theory. The bigger the company, the greater the human resources they have. Increased human resource capacity can be directly proportional to aggressive tax planning or inversely proportional. The more someone understands tax regulations, the more likely they will be more obedient or aware of tax loopholes. So based on these two theories, we can analyze that increasing human resource capacity also affects companies' tax planning and tax avoidance. This paper aims to fill a research gap regarding Indonesia's relationship between human resource capacity building and tax avoidance. We use data at the company level by utilizing financial ratios and disclosure of human resource capacity building in each company.

LITERATURE REVIEW

1. Political Cost and Political Power Theory

The relationship between firm size and political expenses has been hotly disputed in accounting research for decades. According to Aichian and Kessel (32), the likelihood of public policy and governmental action directed against more significant and successful enterprises increases. Jensen and Meckling (33) note that larger companies have more significant public visibility and are therefore more susceptible to public and societal pressure than smaller companies. According to the political power theory, there is a negative correlation between corporate size and tax avoidance. According to this argument, the ETR is lower for larger enterprises because they have more significant opportunities to influence the political process in their favor. In contrast, the political cost theory considers taxes part of a firm's political expenses. This idea postulates a positive correlation between corporate size and tax evasion. This is because more giant corporations will be subject to increased public attention, exposing them to more significant regulatory action by the government and requiring them to assume higher social duties (34–38).

2. Agency Theory

Agency theory is taken from the economic theory of Alchian and Demsetz (39), later refined by Jensen and Meckling (40). The relationship between principals (shareholders) and agents (executives and company managers) is analyzed by agency theory (41–43). In this view, shareholders as company owners or principals hire agents to perform tasks. In other words, the company's activities are delegated by the principal to the director or manager. In agency theory, shareholders anticipate that the agent will perform activities or make choices that benefit the principal. However, in some circumstances, both the principal and the agent seek to maximize their utility, and there is no guarantee that the agent will always behave in the principal's best interest (44–46). There may be disagreements between principals and agents if one of the parties receives imperfections information. In this circumstance, management as the executor of business operations in the organization can master all corporate information. Other parties (principals) have just the information supplied by management. Hence, it is conceivable that the principal's information is inadequate or partial. Due to the inadequate supervision capacities of the founders, such circumstances will naturally afford management the option to engage in more opportunistic operations (45,47).

3. The Effect of Company Performance on Tax Avoidance

Wiratmoko (48) states that the company's financial performance can be seen from several financial ratios, such as profitability and solvency. Profitability is a benchmark used to find out how much the company's ability to generate profits in an accounting period (49). Profitability ratios measure the company's ability to generate profits using its resources, such as assets, capital, and company sales (50). One of the profitability ratios is Return on Assets which measures the company's ability to generate profits from its assets (48). Profitability is an essential aspect of the imposition of income tax for business entities because profitability is the primary indicator of company performance (51). Higher profitability ratios indicate better company performance (51). The higher the level of profitability generated by the company, the company must pay higher taxes (52). With higher tax payments, companies tend not to pay taxes, so tax avoidance is something that companies are very likely to take(48). According to Wiratmoko (48), companies with high-profit levels will develop careful tax planning to produce the optimal amount of tax. Tax avoidance is a term used to express activities and strategies developed by companies in order to obtain tax advantages (53). Studies related to tax avoidance by Wahyuni et al. (51) reveal that company profitability positively correlates to tax avoidance in the sense that companies must pay large amounts of tax so that tax avoidance is carried out efficiently on the tax burden. However, a study by Zhu et al. (53) stated that company profitability as measured by Return on Assets is negatively related to tax avoidance efforts. Research conducted by Wiratmoko (48) reveals that Return On Assets influences the CETR (Cash Effective Tax Rate) to indicate that the company is taking tax avoidance actions. This is in line with the research conducted by Yuniarwati et al. (49) that profitability influences tax avoidance. On the other hand, the research revealed by Alfina et al. (54) concludes that Return on Assets does not affect tax avoidance efforts. Based on the analysis and description, the hypothesis adopted in this study is as follows:

H_1: *Company Performance Has Significant Influence on Tax Avoidance*

4. The Effects of Human Capacity Development on Company Performance and Tax Avoidance

Swanson (55) states that human resource development is developing and enhancing human expertise through organizational development, employee training, and education to improve company performance. Human resource development can be done in various ways: education, training, information technology, and work situations (56). Human resource development is carried out to improve employee skills in various aspects of the organization's needs (57). Organizational human resource expertise plays a role in tax avoidance efforts carried out by the organization. Tax avoidance is one of the things that organizations want to do when developing human resources (58). Freire-Serén & i Martí (30) state that tax avoidance requires skills that are achieved at a certain level of education. Auerbach et al. (59) tested that tax avoidance increases over time as taxpayers have learned successful techniques for reducing tax payments. (60) found that the number of corporate tax obligations was slightly positively related to the percentage of employees with a bachelor's educational background. Taxpayers with competent human resources engage in aggressive tax avoidance efforts than taxpayers from the general population (31). Even though many studies show the positive relativity of human resource development with tax avoidance efforts, the results are not always conclusive when tax avoidance measures are analyzed further (30). Several papers have found that more education and training can reduce the propensity for tax evasion. Other research suggests that education and training can increase or decrease tax avoidance efforts (61,62). This is because to be able to do optimal tax avoidance. It is also necessary to have good corporate governance and all stakeholders relevant to the company (63). To avoid tax, companies must establish good relations with stakeholders because stakeholders determine the company's operations (64). In addition, the existence of human resource training will not make employees immediately understand and are experts in the field of taxation, thus requiring repeated training. The amount of human resource training will make the company's costs large (65). Based on the analysis and description, the hypothesis adopted in this study is as follows:

H_2: *Human Capacity Development Has Significant Influence on Company Performance*

H_3: *Human Capacity Development Has Significant Influence on Tax Avoidance*

H_4: *Human Resource Development Through Company Performance Has Significant Effect on Tax Avoidance*

METHOD, DATA, AND ANALYSIS

1. Population, Sample, and Research Framework

Nasehudin and Gozali (66) state that the population is the total number of units or individuals whose characteristics are to be estimated. Darmawan (67) defines population as a source of data in research that has a large number and area. Sugiono (68) revealed that the population is a generalization area consisting of objects or subjects with specific quantities and characteristics determined by researchers to be studied and then concluded. The population used in this study are companies that carry out their activities in the manufacturing sector (consumer cyclicals) listed on the Indonesia Stock Exchange from 2005-2021. This period is used concerning the reasons for using the latest company data. The method used in collecting samples in this study is purposive sampling. Purposive sampling is based on specific considerations (69). The total observations used in this study were 210 observations. The considerations mentioned in the statement in this study are

a. The company has published its audited financial statements
b. The company has issued an annual report
c. The company has complete data for all variables used during the study period.

Based on the hypothesis developed in the previous chapter, this study uses human capacity development and company performance as exogenous variables and tax avoidance as endogenous variables. There is also a mediating variable (intervening), namely company performance. The relationship of these variables is described as follows:

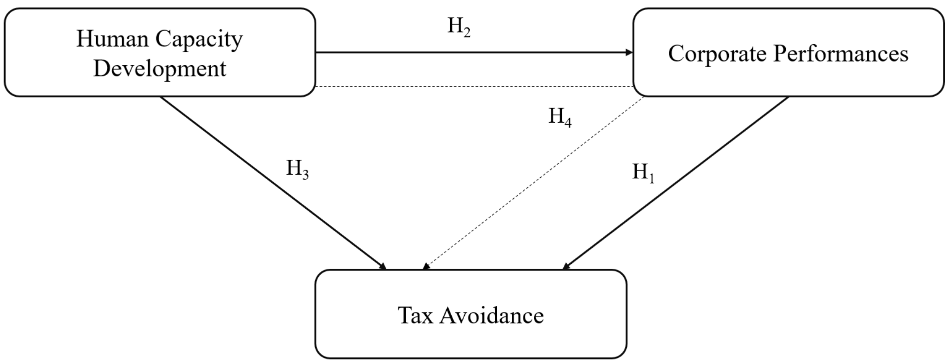

Figure 1. Research conceptual framework

2. Variable Operations

The following is the operationalization of the variables in this study:

Variable	Operationalization
Latent Variable: Human Capacity Development	

Variable	Operationalization
Dummy Human Capacity Development (DHCD)	✓ Score 1 if there is a Competency Development and Training Program for Employees written in the Annual Report ✓ Score 0 if there is a Competency Development and Training Program for Employees written in the Annual Report
Dummy Human Capacity Development-Management (DHCDM)	✓ Score 1 if there is a Competency Development and Training Program for Company Management written in the Annual Report ✓ Score 0 if there is a Competency Development and Training Program for Company Management written in the Annual Report
Dummy Training Expenses (DTE)	✓ Score 1 if there are Training Fees charged by the company and reported in the Financial Statements ✓ Score 0 if there are Training Fees charged by the company and reported in the Financial Statements
Latent Variable: Tax Avoidance	
ETR_1	(Worldwide Income Tax Expense)/(Worldwide total pre-tax accounting income)
ETR_2	(Worldwide Income Tax Expense)/EBITDA
Latent Variable: Corporate Performances	
Return On Assets (ROA)	Pre-tax income divided by total assets
Net Profit Margin (NPM)	Pre-tax income divided by total sales
Price-to-Earnings Ratio (PER)	Stock Price divided by Earnings-Per-Share

3. Data Analysis

This study uses variance-based Structural Equation Modeling (SEM) methodology, especially Partial Least Squares (PLS). SEM using PLS is an alternate approach for SEM analysis in which multivariate normality is not required for the data. In SEM with PLS, the value of a latent variable can be calculated based on the linear combination of the manifest variables linked with a latent variable and handled as if it were the manifest variable (70,71). The analysis of this approach can be aided by SmartPLS, a robust software application with an accessible graphical user interface (72) developed by Ringle et al. (72). According to Wong (72), it is one of the most prominent software programs for PLS-SEM data analysis. In addition, SmartPLS is a user-friendly tool that enables researchers to execute complex computations in the simplest method. The SEM investigation of the association between complex variables requires the following steps: (1) model specifications; (2) identification; (3) model estimate; and (4) model goodness-of-fit and significance testing (73). In SEM, the initial stage of the model specification was the establishment of associations between variables. Identifying a misspecification model was the second phase of SEM. If the model is valid, estimate parameters may be derived from the connection between variables. The third phase was a model estimation. The significance test for the association between variables in SEM might then be conducted .

RESULT AND DISCUSSION

1. Descriptive statistics

Table 1. Descriptive Statistics

	Mean	Median	Min	Max	Standard Deviation	Excess Kurtosis	Skewness
ETR 1	0.250	0.240	0.014	0.810	0.134	4.927	1.662
ETR 2	0.207	0.198	0.014	0.821	0.106	4.832	1.259
ROA	0.038	0.046	-0.876	0.240	0.098	36.343	-4.221
NPM	-0.024	0.048	-2.650	0.306	0.321	31.914	-5.135
PBV	12.130	1.554	-17.781	271.746	34.903	22.055	4.419
PER	-1.967	9.255	-886.586	186.956	103.352	41.489	-5.972
DHCD	0.938	1.000	0.000	1.000	0.241	11.521	-3.662
DHCDM	0.981	1.000	0.000	1.000	0.137	48.700	-7.088
DTE	0.867	1.000	0.000	1.000	0.340	2.747	-2.173

Source: Processed by the Author

Table 1 describes the descriptive statistics of each variable used in the statistical model of this study. Descriptive statistical analysis was conducted to see the characteristics of the data used in this study. Descriptive statistics explain the data distribution of these variables by looking at the maximum, minimum, average, and standard deviation values of each research variable. The Effective Tax Rate (ETR_1) variable describes tax avoidance which is calculated by dividing the comparison of the company's income tax expense with profit before income tax, has a minimum value of 0.014 and a maximum value of 0.810 with an average value of 0.250 and a standard deviation of 0.134. The average value of 0.250 indicates that the average income tax expense incurred by the company is 25% of its profit before tax which is the same as the statutory tax rate, which is 25%. The Effective Tax Rate (ETR_2) variable also illustrates tax avoidance which is calculated by comparing the company's income tax expense with earnings before interest, taxes, depreciation and amortization (EBITDA). The greater the value of ETR_2, the lower the tax avoidance by the company. Based on the descriptive statistical analysis results, ETR_2 has a minimum value of 0.014 and a maximum value of 0.821 with an average value of 0.207. The standard deviation of 0.106 indicates a good data distribution and does not vary. ROA is a measure of company profitability. The table above shows that the average ROA is 0.038 with a standard deviation of 0.098. This means that manufacturing companies in Indonesia, on average, managed to generate 3.8% of operating profit from their total assets at the beginning of the year, with a maximum value of generating an operating profit of 28% of total assets at the beginning of the year. The Net Profit Margin (NPM) variable has a minimum value of -2.650 and a maximum value of 0.306 with an average value of -0.024, indicating the ability of manufacturing sector companies to generate net profits after tax is quite low. The PER variable in the table above shows that the average is 12,130. At the same time, the minimum value is around -886,586, with a maximum value of 186,956. The minimum and maximum values for the DHCD, DHCDM and DTE variables are 0 and 1, respectively. This indicates that some companies have not disclosed employee and management capacity development in the company's annual report. The minimum DTE value, also 0, indicates that some companies do not include the budget for employee capacity development programs. The high average scores for DHCD, DHCDM, and DTE show that more than 80-90 percent of companies have implemented employee capacity development programs.

2. Correlation Matrix

Table 2. Correlation Matrix

	ETR 1	ETR 2	ROA	NPM	PBV	PER	DHCD	DHCDM	DTE
ETR 1	1.000								
ETR 2	0.412	1.000							

	ETR 1	ETR 2	ROA	NPM	PBV	PER	DHCD	DHCDM	DTE
ROA	0.114	0.073	1.000						
NPM	0.188	0.033	0.565	1.000					
PBV	0.019	0.161	0.048	0.054	1.000				
PER	0.149	-0.059	0.170	0.355	-0.045	1.000			
DHCD	-0.346	-0.149	0.007	-0.042	0.070	-0.079	1.000		
DHCDM	-0.500	-0.169	0.052	-0.011	0.039	-0.068	0.542	1.000	
DTE	-0.111	-0.234	0.035	-0.039	0.099	-0.068	0.655	0.355	1.000

Source: Processed by the Author

Table 2 displays the results of a correlation analysis conducted with the SmartPLS program to determine the nature of the link between the variables utilized in the research. The correlation between firm success and tax evasion was often positive. This signifies that the ETR value is proportional to the company's performance. A high ETR indicates that the corporation pays more taxes. Therefore, the improvement in firm performance reflects a decline in tax evasion. However, there is a negative link between market performance (PER) and ETR_2. Moreover, there is a negative correlation between the growth of employee capacity and the disclosure of training expenses in all models' annual reports and financial statements. The ETR value decreases when DHCD, DHCDM, and DTE values increase. This implies that employee capacity-building initiatives will reduce the tax burden on businesses. This might be viewed as indicating that boosting employee capacity can influence employees' tax knowledge. So that tax planning will be more efficient from the company's perspective.

3. Measurement Model

This study employs reliability indices, internal consistency, convergent validity, and discriminant validity to validate the measurement model. The reliability indicator check is utilized to calculate an indicator's variance. In this phase, the indicator loading (indicator loading/factor loading/outer loading), a bivariate correlation between the indicator and the construct, must be squared. According to ANU, the minimal factor loading value is 0.7, but factor loading values between 0.6 and 0.7 are still acceptable. According to Table 3's SmartPLS calculation findings, the factor loading values for all variables are more than 0.6, indicating that the variables in this study meet the reliability indications. The second step is evaluating internal consistency using composite reliability. Internal consistency dependability is deemed adequate if the value is more than 0.70. Less than 0.6 indicates a lack of dependability. Table 4 of the SmartPLS report demonstrates that the composite reliability value for all constructions is more than 0.70. With the resultant value, all structures have good dependability in compliance with the specified minimum value limit.

Table 3. Factors loading

	CP	HCD	TA
Human Capacity Development			
DHCD		0.862	
DHCDM		0.871	
DTE		0.686	
Tax Avoidance			

	CP	HCD	TA
ETR 1			0.952
ETR 2			0.67
Corporate Performances			
NPM	0.89		
PER	0.644		
ROA	0.731		

Source: Processed by the Author

Table 4. Composite Reliability and Average Variance Extracted

	Composite Reliability	**Average Variance Extracted (AVE)**
Corporate Performances	0.803	0.580
Human Capacity Development	0.851	0.658
Tax Avoidance	0.804	0.678

Source: Processed by the Author

Assessing the convergent validity of each construct is the next stage. Convergent validity refers to the degree to which the construct converges to explain the indicator's variation. This may be evaluated using the extracted average variance (AVE) value. A notion has enough convergent validity when its AVE value is at least 0.5. According to Table 4, the AVE value for all variables is more than 0.5.

Table 5. Discriminant validity: Heterotrait-Monotrait ratio of correlations.

	CP	HCD	TA
CP			
HCD	0.103		
TA	0.266	0.544	

Source: Processed by the Author

Table 6. Discriminant validity Fornell-larcker criterion

	CP	HCD	TA
CP	0.762		
HCD	-0.037	0.811	
TA	0.172	-0.438	0.823

Source: Processed by the Author

Table 7. Results of cross loadings

	CP	HCD	TA

DHCD	-0.051	**0.862**	-0.332
DHCDM	-0.015	**0.871**	-0.463
DTE	-0.036	**0.686**	-0.169
ETR 1	0.202	-0.452	**0.952**
ETR 2	0.022	-0.208	**0.670**
NPM	**0.890**	-0.032	0.164
PER	**0.644**	-0.086	0.102
ROA	**0.731**	0.04	0.118

Source: Processed by the Author

Step four is to evaluate discriminant validity. This metric indicates how empirically dissimilar a construct is from other constructs in the structural model (74). Fornell and Larcker (75) state that discriminant validity is established when the AVE's square root surpasses the latent variable's pairwise association. According to Table 6, the skewed value is the square root of the AVE that is greater than the off-diagonal value, which is the pairwise association between each component. Table 7 displays the many distinct components' exploratory loading, validating the threshold value. Henseler et al. (76) also claimed discriminant validity if the Hetro-Trait and Mono-Trait values were less than 0.85. Table 5, 6, and 7 demonstrates that all components have discriminant validity.

4. Structural Model

Only if the measurement model has been satisfactorily validated can the structural model be evaluated. Validation of structural models can aid in systematically determining if the data support the structural model's hypotheses. The PLS structural model may be assessed using the coefficient of determination (R^2) and path coefficients. The coefficient of determination in this study is presented in Table 8, and the path coefficient is depicted in Figure 2.

Table 8. PLS structural model – R^2

	R-Square
Corporate Performances	0.001
Tax Avoidance	0.216

Source: Processed by the Author

The r-square value in Table 9 above shows that Human Capacity Development and Corporate Performances can explain the variability of the Tax Avoidance construct of 21.65%. The rest is explained by constructs other than those studied in this study. Meanwhile, Human Capacity Development could only explain the variability of the Corporate Performances construct of 0.1%.

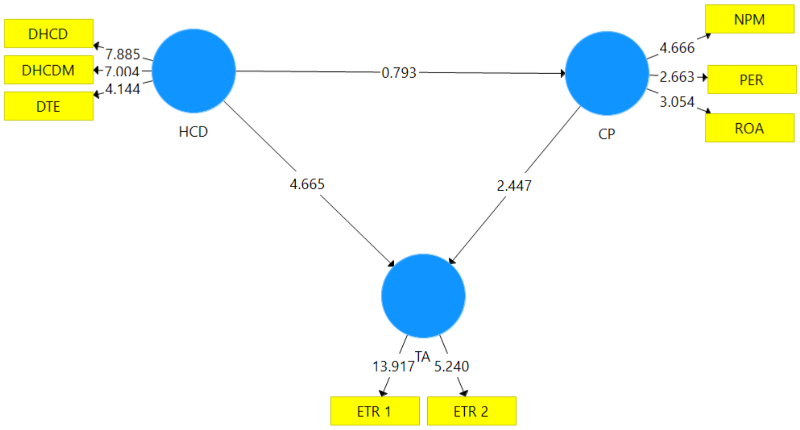

Figure 2. Path Coefficient

The t-test was utilized to assess hypotheses. Suppose the computed t-statistic is larger than the 2-tailed critical value of t of 1.96 (at a significance threshold of 5 per cent). In that case, the path coefficient is significant, and vice versa (74). Table 9 displays the results of hypothesis testing at a 5% significance level. The first hypothesis examines whether or not Corporate Performance has a major impact on Tax Avoidance. The test findings indicate a substantial relationship between Corporate Performance and Tax Avoidance. Using a significance threshold of 5%, or 0.05, the test yielded t-statistics of 2,407 and p-values of 0.0160. The t-statistics value is more than 1.96, and the p-values are less than 0.05, indicating that Corporate Performances substantially influence Tax Avoidance at the 5 per cent significance level. The second hypothesis examines if Human Capability Development substantially impacts Corporate Performances. The test findings indicate that Human Capacity Development has no meaningful influence on corporate performance. Using a significance threshold of 5%, or 0.05, the test yielded t-statistics of 0.79 and p-values of 0.4300. Human Capacity Development has no significant influence on Corporate Performances at the 5% significance level since the t-statistics value is less than 1.96 and the p-values are more than 0.05.

Table 9. SEM hypothesis testing

Hypothesis	Relationship	Original Sample	T Statistics	P Values	Supported
H_1	CP → TA	0.156	2.407	0.0160	Yes
H_2	HCD → CP	-0.037	0.790	0.4300	No
H_3	HCD → TA	-0.432	4.666	0.0000	Yes
H_4	HCD → CP → TA	-0.006	1.158	0.247	No

Source: Processed by the Author

The third hypothesis examines whether Human Capacity Development has an appreciable impact on Tax Avoidance. The test findings indicate a substantial relationship between Human Capacity Development and Tax Evasion. Using a significance threshold of 5%, or 0.05, the test yielded t-statistics of 4,666 and p-values of 0.0000. The t-statistics value is greater than 1.96, and the p-values are less than 0.05, indicating that Human Capacity Development substantially impacts Tax Avoidance at the 5 per cent significance level. The fourth hypothesis investigates if Human Capacity Development influences Tax Avoidance via Corporate Performances as a mediator. The test findings indicate that the mediation of Human Capacity Development on Tax Avoidance and Corporate Performances had no meaningful influence. At a significance level of 5%, the test results provide t-statistics of 1.158 and p-values of 0.247. The t-statistic is less than 1.96, and the p-values are more than 0.05, indicating that Human Capacity Development has no influence on Tax Avoidance with Corporate Performances mediation at the 5 per cent significance level.

5. Discussion

The first hypothesis in this study suspects that there is an effect of Company Performance on Tax Avoidance. Based on the discussion in the previous Hypothesis Testing, it is known that the test results support the hypothesis. The higher the Company's Performance, the higher the ETR value. A high ETR value indicates that the company pays more taxes, so it can be said that when the company's performance improves, the tax payment compliance will increase and result in greater tax payments. Based on these implications, it can be said that the theory of political costs is proven in this test. Meanwhile, in the second hypothesis, the researcher suspects that human capacity development affects company performance. Based on previous tests, it turns out that human capacity development does not affect company performance. Further research is needed to investigate whether the human capacity development program affects individual performance. Individual performance is the result of employee work in terms of quality and quantity based on predetermined work standards. In contrast, organizational performance is a combination of individual performance and group performance. So, according to the researchers here, it is natural that human capacity development does not directly affect company performance. This is because good company performance is not only determined by a human capacity development program in the company.

While the third hypothesis, based on the results of previous statistical tests, shows that the human capacity development program significantly affects tax avoidance. The more often the human capacity development program is carried out, the more efficient the taxes paid by the company will be. This shows that the human capacity development that has been carried out and budgeted by the company can be a means to achieve tax efficiency. Improving human capacity at the company level through training gives the person higher professionalism and a more compressive ability to the company's business. While the fourth hypothesis, which states that human capacity development through company performance affects tax avoidance, is not proven. This can be interpreted as the company's human capacity development aimed at specific things and focusing on individual performance in certain fields.

CONCLUSION

Taxes and human resources both have an important role in a company. Taxes are used by the state to finance various general expenses or for routine expenses. Meanwhile, from the company's perspective, taxes are a burden that must be controlled in order to create large profits. One way to streamline taxes at the company level is to plan taxes as well as possible. Tax planning will work if the company's human resources are professional and comprehensively understand tax regulations. One of the things that companies can do to make their human resources professional is through capacity-building programs. Companies usually provide training that aims to provide or improve knowledge, understanding, and skills, especially regarding company problems. Knowledge, understanding, and skills are related to reasoning abilities. So that the company hopes that increasing the capacity of its human resources will have an impact on better company performance. The study was conducted to investigate further the effect of increasing human capacity in a company on company performance and tax avoidance. The results from this study stated that human capacity development and company performance significantly affected tax avoidance. Furthermore, it was found that human capacity development does not directly affect company performance and tax avoidance through mediating company performance.

IMPLICATION/LIMITATION AND SUGGESTIONS

In the final result of the study, it was found that increasing human capacity does not directly affect company performance and tax avoidance through the mediation of company performance. This is something the company did not expect. The results that companies expect when carrying out human capacity development programs can certainly impact company performance. The weakness of this study is that it does not include several control variables that determine the company's performance. So, further researchers need to include other control variables into the research model so that it is more comprehensive and there is no single interpretation. Control variables for company performance are needed to accommodate the actual conditions of a business environment. Of course, the company's performance depends not only on the human capacity development program but also on other factors.

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