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Effect of Good Corporate Governance and Leverage on Profitability-Mediated Tax Avoidance (Study on Mining Companies listed on the Indonesia Stock Exchange 2016 – 2019)

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Abstract
The purpose of this study is to determine the effect of good corporate governance and leverage on tax avoidance mediated by profitability. The sample selection method uses certain considerations (purposive sampling) to obtain a sampling unit that has the desired characteristics. The population of this study are mining companies (2016 - 2019) listed on the Indonesia Stock Exchange. so that obtained 32 samples of mining companies. The analytical technique used in this research is Structural Equation Modeling-Partial Least Squares (SEM-PLS). Based on the results of calculations using PLS-SEM software version 3.0, the results show that good corporate governance does not directly affect profitability and tax avoidance. The factor of corporate governance with a portion of institutional ownership cannot carry out its function properly in controlling the company's operations in increasing profitability, which actually encourages the management to avoid tax evasion. However, leverage has a direct effect on profitability and tax avoidance. And profitability as an intervening variable has a significant effect on tax avoidance.
Keywords: Good Corporate Governance, Institutional Ownership, Leverage, Profitability, Tax Avoidance.

Background

Taxes are state revenues that are useful for supporting national development activities and also as a driving force for the wheels of government that function to provide public facilities for the community, which aims to improve the welfare and prosperity of the community (Damayanti & Susanto, 2015; Waluyo et al., 2015). The largest State Revenue and Expenditure Budget (APBN) revenue comes from the tax sector so that it becomes the main source of domestic revenue to support the financing of government administration and national development.

State income in the form of taxes is distinguished from other sources of state income other than taxes. The amount of income from taxes can be increased by minimizing tax avoidance practices. There are many cases in Indonesia that show that companies often avoid paying taxes so that the amount of state revenue is reduced (Swingly & Sukartha, 2015).

Table 1: Tax shortfall 2009 - 2019

No.	Years	Target	Realization	Shortfall	% Realization
1	2009	577	545	-32	94.45
2	2010	662	628	-34	94.86
3	2011	764	743	-21	97.25
4	2012	885	836	-49	94.46
5	2013	995	921	-74	92.56
6	2014	1,072	985	-87	91.88
7	2015	1,294	1,055	-239	81.53
8	2016	1,539	1,283	-256	83.37
9	2017	1,283	1,147	-136	89.40
10	2018	1,424	1,316	-108.1	92.42
11	2019	1,578	1,332	-245.5	84.41

Source: Directorate General of Taxes, Ministry of Finance 2020.

Data from the Ministry of Finance shows that the tax ratio contributed by the mineral and coal mining sector in 2016 was only 3.9%, while the national tax ratio in 2016 was 10.4%. The low tax ratio cannot be separated from the problem of tax avoidance by coal industry players. Tax avoidance is a practice that exploits legal loopholes and weaknesses in the existing tax system. Although it does not violate the law, it is not morally justifiable. Among taxpayers who report their tax returns, there is the potential for not reporting according to facts on the ground, due to tax avoidance and tax savings practices such as aggressive tax planning, corporate inversion, profit shifting and transfer mispricing (Maftuchan, 2019).

Coal financial flows from export activities amounted to US$ 62.4 billion. Of this value, there were US$ 41.8 billion in illicit financial inflows out of Indonesia (illicit financial outflows) and US$ 20.6 billion in illicit financial inflows into Indonesia (illicit financial inflows). This means that there are illicit financial flows abroad amounting to US$ 21.2 billion or 25% of the total value of coal exports. The amount of this estimate is obtained from the discrepancy between the export value recorded in Indonesia and the import value of countries claiming to import coal from Indonesia. Illicit financial flows in Indonesia's coal mining industry indicate tax evasion (Maftuchan, 2019).

One of the cases of tax evasion that occurred in Indonesia occurred where the Balikpapan tax service office had sued for profit-sharing transaction cooperation between PT Multi Sarana Avindo (MSA) and PT Anuegerah Bara Kaltim (ABK). In the work agreement, ABK is considered to control MSA's business, so they suspect that there is a transfer of mining rights. This argument means that the DGT issuing the coal company MSA for the alleged transfer of mining rights which resulted in the lack of obligation to pay value-added tax (VAT). MSA has received three lawsuits from the DGT in

2007, 2009, and 2010, but the DGT has lost in court. Until now, DGT is still filing the same lawsuit (Yuliawati, 2019).

Based on the results of a direct interview with a representative of the KPP Pratama Jambi Telanaipura audit team on June 24, 2021, he explained that tax avoidance is tax avoidance by taking advantage of tax provisions to minimize taxes to be paid by taxpayers as long as they do not violate tax regulations or do not make fictitious transactions. The tax payment system in Indonesia, which adheres to the "Self Assessment" system, in which taxpayers who play an active role in calculating, paying, and reporting the amount of their own taxes, makes the Directorate General of Taxes believe that taxpayers have reported their taxes correctly. However, when it comes to the examination, it is almost always found that there are irregularities in the submission of the Agency's SPT. Many considerations are used by taxpayers to practice tax avoidance, taxpayers take advantage of loopholes in the provisions of tax rules, for example, obligations that should be paid now are transferred to next year. Another example of interest costs on capital loans, for example the taxpayer has debt in another country where the country does not require interest payments and 0% tax treaty. Or in other words, taxpayers do tax planning, by planning when, how and where to pay.

This study refers to previous research conducted by Gunawan, *et al* (2019); Ubaidillah (2021) who conducted research on the effect of good corporate governance on tax avoidance. The researcher adds the leverage variable into the research model and places the profitability variable as a variable that mediates the effect of good corporate governance on tax avoidance. The researcher used a sample in the form of a list of mining companies listed on the Indonesia Stock Exchange for the 2016-2019 period. Mining companies were chosen because they are one of the largest tax contributors in Indonesia and according to the explanation above, there are indications that most mining companies in Indonesia have shifted their tax obligations to tax-free areas to minimize their tax obligations.

The difference between this study and previous research is the use of the analytical method used, where in this study the researcher used the Partial Least Square (PLS) method which is one of the models in the Structure Equation Modeling (SEM) analysis, while in previous studies using the regression analysis method (Hussein, 2015).

Problem Formulation

Based on the background of the problem that has been described, the formulation of the problem in this study is:

1. How does good corporate governance affect tax avoidance?
2. How does leverage affect tax avoidance?
3. How does profitability affect tax avoidance?
4. How does good corporate governance affect profitability?
5. How does leverage affect profitability?
6. How does good corporate governance indirectly affect tax avoidance mediated by profitability?
7. What is the indirect effect of leverage on tax avoidance mediated by profitability?

Research Objectives

Based on the formulation of the problem above, the objectives of this study can be formulated, namely:

1. To determine the effect of good corporate governance on tax avoidance.

2. To determine the effect of leverage on tax avoidance.
3. To determine the effect of profitability on tax avoidance.
4. To determine the effect of good corporate governance on profitability.
5. To determine the effect of leverage on profitability.
6. To determine the indirect effect of good corporate governance on tax avoidance mediated by profitability.
7. To determine the indirect effect of leverage on tax avoidance mediated by profitability.

Study of Literature, Framework for Thinking and Hypotheses

Agency Theory

Raval (2020) argues that agency theory is a theory about agency principles, the problems that occur, and the challenges involved in them. The principal of the agency is the company's shareholders.

The practice of tax avoidance carried out by the company in terms of agency theory is influenced by the existence of a conflict of interest between the management as an agent and the shareholders. This conflict of interest arises because of differences in interests regarding the desired level of prosperity between management and shareholders. The interest of the company's management is that if they can get the best possible profit, then there will be compensation that will be given by shareholders, usually in the form of an increase in salary, position, welfare, and higher authority (Dyreng et al., 2010).

Tax Avoidance

The definition of tax avoidance according to Nengzih (2018) is a way to reduce taxes that are still within the limits and can be justified, especially through tax planning. Tax evasion can pose risks to the company such as fines or loss of company reputation. This can happen if the act of tax evasion has violated or exceeded the limit of tax provisions which then falls into tax avoidance.

Tax avoidance is one way to avoid taxes legally that does not violate tax laws and regulations. This tax avoidance can be said to be a complicated and unique problem because on the one hand it is allowed but not desirable (A. Wijayanti et al., 2017).

Good Corporate Governance

Fernando, *et al* (2017) revealed that corporate governance refers to actions taken by organizations to improve relationships and interactions with various corporate stakeholders such as investors, workers, governments, consumers, and business partners, NGOs involved in community activities and promoting environmental practices. the good one.

The purpose of corporate governance according to Raval (2020) is to direct and control organizational activities by establishing structures, rules, and decision-making procedures. Meanwhile, according to Fernando, *et al* (2017), corporate governance is needed to create a corporate culture that is aware, transparent, and open. It refers to the combination of laws, rules, regulations, procedures, and voluntary practices to enable a company to maximize shareholder value over the long term.

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Leverage

Block*, et al* (2009) revealed that leverage reflects the amount of debt used in the company's capital structure. Meanwhile, according to Subramanyam (2013), leverage refers to the amount of debt financing in the company's capital structure. This means how big the proportion of debt that comes from loans in the company's assets. This shows that the company uses equity capital as a basis for borrowing to obtain excess profits. Leverage can also be said to be a measure of the company's ability to guarantee its debt, both short-term and long-term if the company is liquidated.

Profitability

According to Harahap (2013), profitability describes the company's ability to earn profits through all existing resource capabilities such as sales activities, cash, capital, number of employees, number of branches, and so on.

The definition of profitability according to Brigham and Houston (2018) states that profitability is the net result of a series of policies and decisions calculated through various relevant benchmarks. One of the benchmarks to determine profitability is through financial ratio analysis which is one of the analyzes of the financial condition of a company.

Thinking Framework

The theoretical framework model for this research is as follows:

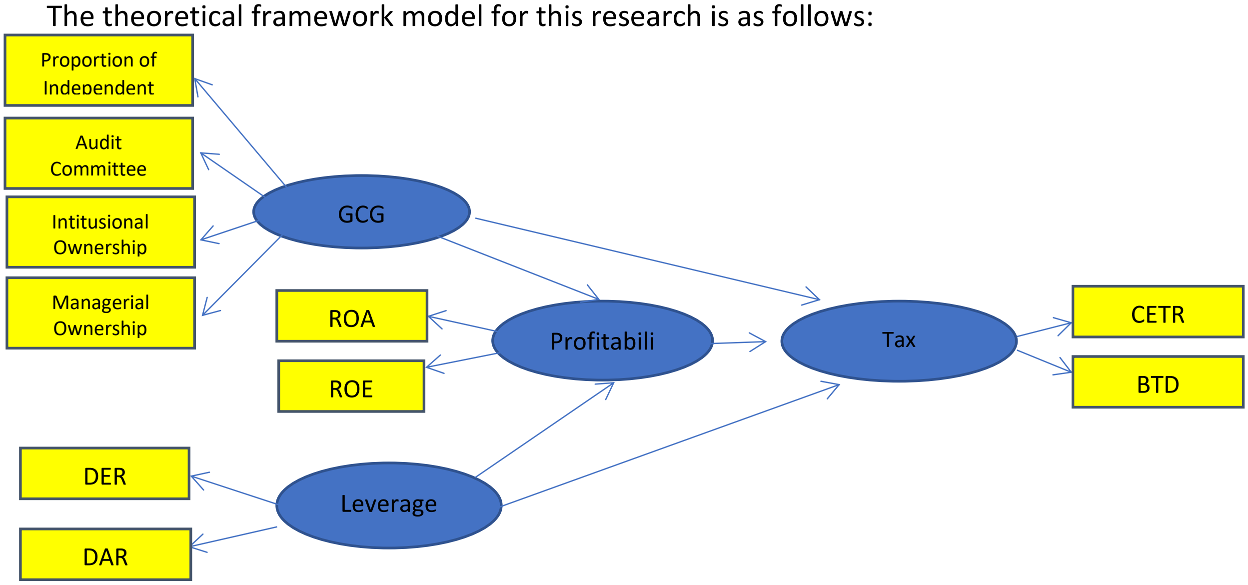

Figure 1: Research Model

Hypothesis

H_1. Good Governance has an effect on profitability
H_2. Leverage affects profitability
H_3. Good Governance has an effect on tax avoidance
H_4. Leverage has an effect on tax avoidance
H_5. Profitability affects tax avoidance
H_6. Good Governance has an indirect effect on tax avoidance through profitability
H_7. Leverage has an indirect effect on tax avoidance through profitability

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Research Method

Population and Sample

The population of this study are mining companies (2016 - 2019) listed on the Indonesia Stock Exchange, which are 52 companies.

The criteria for determining the sample used in this study are:

1. Mining companies listed on the IDX for the 2016-2019 period.
2. Companies listed on the IDX in a row in the period 2016 – 2019.
3. Publish audited financial statements as of December 31 consistently and completely from 2016 - 2019.
4. Does not have a deficiency in equity (negative equity) in the financial statements.

Tabel 5 : Research Sample Selection

No	Sample Criteria	Total Firms
1	Mining sector companies listed on the IDX during 2016 – 2019	52
2	Companies that are not listed on the IDX in a row during 2016 – 2019	(12)
3	The company is consistently listed on the IDX but does not have complete annual report data for 2016 – 2019	(4)
4	Has no equity deficiency value (negative equity) in the financial statements.	(4)
Total Samples		32
Total Observations (32 companies X 4 years of observation)		128

Source: Results of data processing, 2021

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Research Variables and Operational Definitions

The definition of operationalization of the variables in this study is as follows:

Tabel 6 : Variable Operation

No	Variable	Indicator	Scale
1	Good Corporate Governance (ξ_1)	1. Proportion of Independent Commissioners (X_1) $\frac{\text{Total Independent Commissioners}}{\text{Total members of boards commissioners}} \times 100$ 2. Audit Committee (X_2) Σ Total members of the audit committee 3. Boards of Directors (X_3) Σ Total members of the boards directors 4. Institutional ownership (X_4) $\frac{\text{Total shares owned by the constitutional}}{\text{Total shares outstanding in the market}} \times 100\%$ 5. Managerial ownership (X_5) $\frac{\text{Total shares owned by management}}{\text{Total shares outstanding in the market}} \times 100\%$ (Agoes & Ardana, 2009; Mallin, 2013)	Ratio
2	Leverage LEV (ξ_2)	1. DAR= $\frac{\text{Total Debt}}{\text{Total Assets}} \times 100\%$ (Pitaloka & Merkusiawati, 2019; Septiani et al., 2019; Y. C. Wijayanti & Merkusiawati, 2017; Wulandari & Maqsudi, 2019) 2. DER= $\frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$ (Alfina *et al.,* 2018; Feranika *et al.,* 2017; Putriningsih *et al.,* 2018)	Ratio
3	Profitabilitas (η_1)	1. ROA= $\frac{\text{Profit before tax}}{\text{Total Assets}} \times 100\%$ (Alfina *et al.,* 2018; Palupi *et al.,* 2020; Pitaloka & Merkusiawati, 2019; Putriningsih *et al.,* 2018; Syuhada *et al.,* 2019; Wulandari & Maqsudi, 2019) 2. ROE= $\frac{\text{Profit before tax}}{\text{Total Equity}} \times 100\%$ (Wulandari & Maqsudi, 2019)	Ratio
4	Tax Avoidance (η_2)	1. CETR= $\frac{\text{Cash paid for tax}}{\text{Profit before tax}}$ (Feranika *et al.*, 2017; Gunawan *et al.,* 2019; Herawati & Ekawati, 2016; Palupi *et al.,* 2020; Pitaloka & Merkusiawati, 2019; Septiani *et al.,* 2019; Syuhada *et al.*, 2019; Wulandari & Maqsudi, 2019) 2. BTD= $\frac{\text{Profit before tax} - \text{Taxable profit}}{\text{Leverage Assets}}$ (Herawati & Ekawati, 2016; Putriningsih et al., 2018)	Ratio

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Data Sources and Data Collection Tools

The source of data that will be used in this study is data obtained from the Indonesian stock exchange through www.idx.co.id by downloading data from mining companies that have been published for the 2016-2019 observation period.

The data in this study were collected through documentation techniques.

Data Analysis Technique

In this study, the data analysis used the Partial Least Square (PLS) 3.0 approach. PLS is a component or variant-based Structural Equation Modeling (SEM) equation model.

The structure of the relationship model between research variables is described as follow

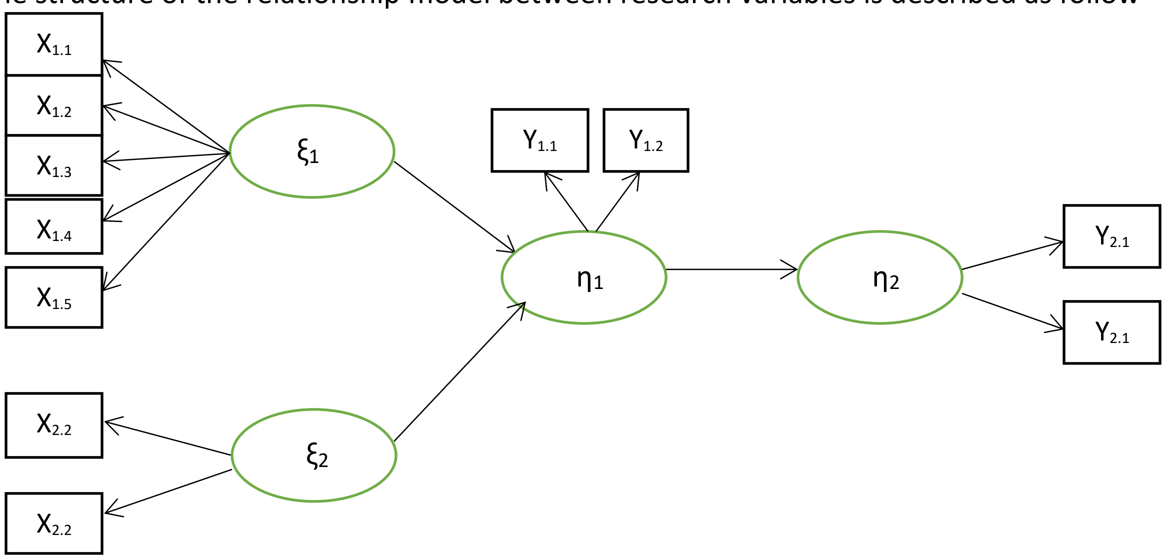

Figure 2: Outer Model and Inner Model Equation

Research Results and Discussion

Descriptive Analysis

In this study, the variables studied include: Good Corporate Governance (proportion of independent commissioners, audit committee, board of directors, institutional ownership, and managerial ownership), leverage (Debt to Asset Ratio / DAR and Debt to Equity Ratio / DER), profitability (Return On Assets/ROA and Return On Equity/ROE) and Tax Avoidance (CETR and BTD).

Table 3: Descriptive Statistical Analysis

Variabel	Mean	Min	Max	Standard Deviation
PKI	38,13	0,00	66,67	10,286
KA	3,00	2,00	4,00	0,392
KI	59,20	0,00	128	23,792
KM	9,34	0,00	95,61	21,535
DAR	47,36	10,61	97,15	19,988
DER	154,04	11,87	3.405,55	316,590
ROA	7,67	-55,31	60,54	14,389
ROE	10,18	-288,07	102,75	37,880
CETR	-0,34	-5,31	0,30	0,675
BTD	0,06	-0,11	0,55	0,106

Source: Results of data processing, 2021

Testing Measurement (Outer) Model
Convergent Validity

The results of convergent validity testing using the outer loading method can be seen in the following table:

Table 4: Loading Factor Values on Indicators for Each Latent Variable

	GCG	Leverage	Profitability	*Tax Avoidance*
PKI	-0.552			
KA	0.155			
KI	0.864			
KM	-0.447			
DAR		0.859		
DER		0.895		
ROA			0.932	
ROE			0.929	
BTD				0.998
CETR				-0.029

Source: Results of data processing, 2021

Based on the table above, the following can be seen:

a. The loading factor value for the indicator of the proportion of independent commissioners (PKI) has a negative value of -0.552, the loading factor for the audit committee (KA) indicator is 0.155, and the loading factor for the managerial ownership (KM) indicator is -0.447, smaller than 0.7, which means that the indicator is invalid and cannot be used to measure latent variables. GCG. Meanwhile, the loading factor of the institutional ownership indicator is 0.864, which is greater than 0.7, which means that the indicator is valid and able to measure the GCG variable. Therefore, the indicators of the proportion of independent commissioners, audit committees, and managerial ownership are not used in the next stage of analysis so that the GCG measurement only uses indicators of managerial ownership.

b. The loading factor value for the DAR indicator in measuring the leverage latent variable is 0.859 and the loading factor value for the DER indicator in measuring the leverage latent variable is 0.895, which is greater than 0.7, which means that the two indicators are able to properly measure the latent variable.
c. The loading factor value for the ROA indicator in measuring the latent variable of profitability is 0.932 and the value of the loading factor for the ROE indicator in measuring the latent variable of profitability is 0.929, which is greater than 0.7, which means that the two indicators are able to properly measure the latent variable.
d. Measurement of the latent variable of tax avoidance using CETR and BTD with loading factor values equal to 0.998 and -0.029, respectively. The loading factor value for the CETR indicator is less than 0.7, which means that the indicator is not able to properly measure the tax avoidance variable. Thus, the CETR indicator is not used in the next analysis stage, so the measurement of tax avoidance only uses the BTD indicator.

Table 5: Loading Factor Values on Indicators for Each Latent Variable

	GCG	**Leverage**	**Profitability**	***Tax Avoidance***
KI	1.000			
DAR		0.859		
DER		0.894		
ROA			0.932	
ROE			0.929	
BTD				1.000

Source: Results of data processing, 2021

The table above shows that the loading factor value of all indicators in measuring the latent variable is greater than 0.7. This means that all indicators can measure well each of their respective latent variables. In the latent variable of tax avoidance, the loading factor value is equal to 1,000 because it does not involve the CETR indicator, so tax avoidance is only measured using the BTD indicator.

Table 6: Measurement Results of Average Variance Extracted

Variabel Laten	*Average Variance Extracted (AVE)*
GCG	*0.319*
Leverage	*0.769*
Profitabilitas	*0.866*
Tax Avoidance	*0.499*

Source: Results of data processing, 2021

Based on the table above, it can be seen that:

a. The AVE value for the latent variable of GCG which is measured using indicators of the proportion of independent commissioners, audit committees, institutional ownership and managerial ownership of 0.319 is smaller than 0.5 so that judging from the results of this convergent validity test, the indicators used are not able to measure the GCG variable properly.

b. The AVE value for the leverage latent variable is 0.769, which is greater than 0.5 so that the indicators used (DAR and DER) are able to measure the leverage variable properly.
c. The AVE value for the latent variable of profitability is 0.866, which is greater than 0.5 so that the indicators used (ROA and ROE) are able to measure the profitability variable well.
d. The AVE value in the latent variable of tax avoidance is 0.499 which is smaller than 0.5, so the indicators used (CETR and BTD) are not able to measure the tax avoidance variable properly.

Table 7: Measurement Results of Average Variance Extracted

Variabel Laten	*Average Variance Extracted (AVE)*
GCG	1.000
Leverage	0.769
Profitabilitas	0.866
Tax Avoidance	1.000

Source: Results of data processing, 2021

Based on the table above, it can be seen that the AVE value for the GCG variable is 1,000, which is greater than 0.5. This means that after eliminating the indicators of the proportion of independent commissioners, audit committees, and managerial ownership, the indicators of institutional ownership are able to measure the GCG variable properly and meet the requirements of convergent validity. Meanwhile, the AVE value for the latent variable of tax avoidance becomes 1,000, because after removing the CETR indicator, tax avoidance is only measured by the BTD indicator.

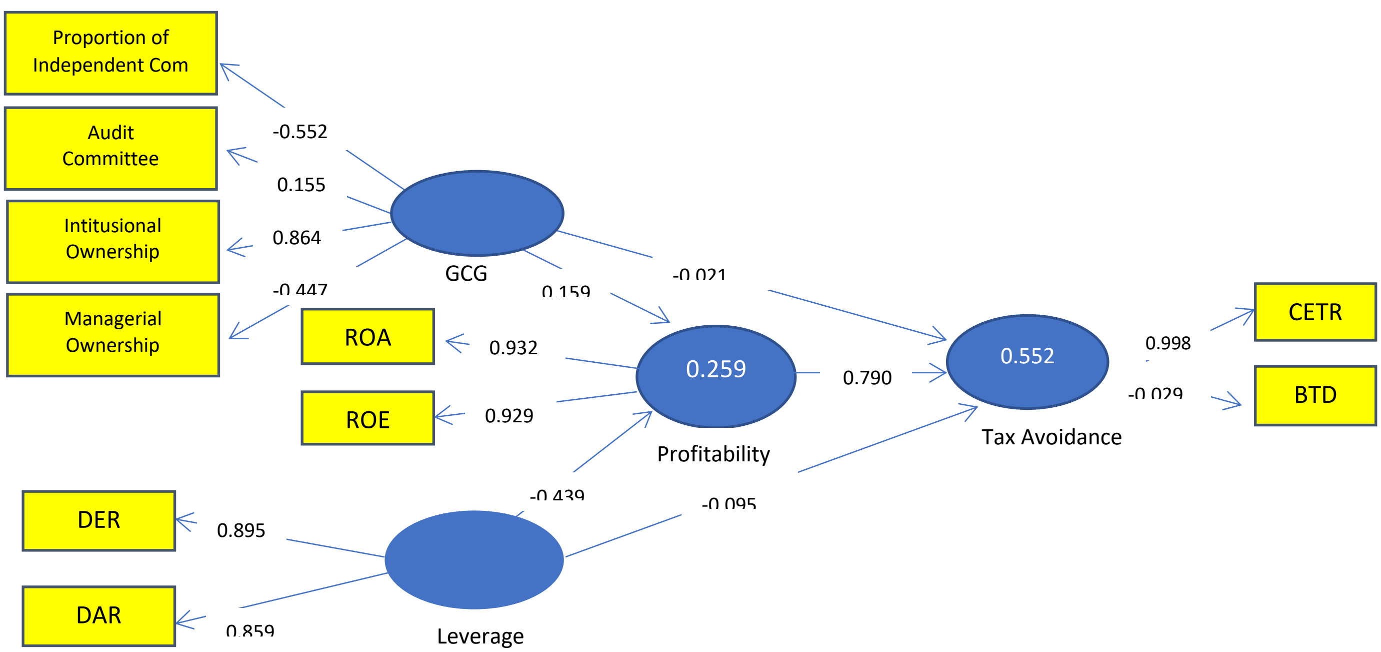

Figure 3: Convergent Validity Test Results Using Loading Factor Values

Discriminant Validity

Table 7 : Fornell Larckel Criterion

	GCG	*Leverage*	**Profitability**	*Tax Avoidance*
GCG	1.000			
Leverage	-0.289	0.877		
Profitability	0.247	-0.486	0.931	
Tax Avoidance	0.151	-0.282	0.735	1.000

Source: Results of data processing, 2021

The measurement results above show that the AVE root value for the same variable is higher than the AVE root value in different variables. This shows that the discriminant validity test criteria have been met. Thus the instrument used in this study has met all the provisions of the validity test.

Table 8 : Cross Loading of Each Indicator with Latent Variables

	GCG	Leverage	Profitability	*Tax Avoidance*
DD	**1.000**	-0.289	0.247	0.151
KI	-0.397	**0.859**	-0.359	-0.294
DAR	-0.130	**0.894**	-0.486	-0.206
DER	0.274	-0.315	**0.932**	0.771
ROA	0.184	-0.593	**0.929**	0.595
ROE	0.151	-0.282	0.735	**1.000**
BTD	**1.000**	-0.289	0.247	0.151

Source: Results of data processing, 2021

Based on the table, it can be seen that the loading factor value of each indicator with each latent variable is greater than the loading factor value with other latent variables. There is no loading factor value of each indicator on its respective latent variables with a lower value than the loading factor of each indicator with other latent variables. Thus, the test results using the Cross Loading value indicate that all indicators meet the discriminant validity requirements.

Inner Model Test

Path Coefficient

Table 9 : Result of Direct Effect Test

	Koefisien Path
GCG -> Profitabilitas	0.116
GCG -> *Tax Avoidance*	0.015
Leverage -> Profitabilitas	-0.453
Leverage -> *Tax Avoidance*	0.095
Profitabilitas -> *Tax Avoidance*	0.785

Source: Primary data processed, 2021

Based on the table above, the following can be formulated:

a. The effect of GCG on profitability with a positive path coefficient of 0.116
b. The effect of GCG on tax avoidance with a positive path coefficient of 0.015

c. The effect of leverage on profitability with a negative path coefficient of -0.453
d. The effect of leverage on tax avoidance with a positive path coefficient of 0.095
e. The effect of profitability on tax avoidance with a positive path coefficient of 0.785

Hypothesis test

Table 10: Direct Effect Test Results

	T Statistics	P Values
GCG -> Profitabilitas	1.302	**0.193**
GCG -> *Tax Avoidance*	1.297	**0.195**
Leverage -> Profitabilitas	3.026	0.003
Leverage -> *Tax Avoidance*	3.009	0.003
Profitabilitas -> *Tax Avoidance*	12.208	0.000

Source: Results of data processing, 2021

Based on the table above, the following can be formulated:

a. The effect of GCG on profitability with a p-value of 0.193, which is greater than a significance level of 0.05.
b. The effect of GCG on tax avoidance with a p-value of 0.193 is greater than a significance level of 0.05.
c. The effect of leverage on profitability with a p-value of 0.003 is smaller than a significance level of 0.05.
d. The effect of leverage on tax avoidance with a p-value of 0.003 is smaller than a significance level of 0.05.
e. The effect of profitability on tax avoidance with a p-value of 0.000 is smaller than the 0.05 significance level.

Table 11: Result of Indirect Effect Test

	T Statistics	P Values
GCG -> Profitabilitas -> *Tax Avoidance*	1,231	**0,219**
Leverage -> Profitabilitas -> *Tax Avoidance*	2,465	0,014

Source: Results of data processing, 2021

The results of testing the indirect influence hypothesis are as follows:

a. The indirect effect of GCG on tax avoidance through profitability with a p-value of 0.219, which is greater than the 0.05 significance level. This means that H0 is accepted and Ha is rejected. Thus, GCG does not have an indirect effect on tax avoidance mediated by profitability.
b. The indirect effect of leverage on tax avoidance through profitability with a p-value of 0.014 is smaller than the 0.05 significance level. This means that H0 is rejected and Ha is accepted. Thus, leverage has an indirect effect on tax avoidance mediated by profitability.

Discussion of Research Results

Hypothesis I: The results show that there is no significant direct effect of GCG on profitability. This is proven by the results of hypothesis testing in the path analysis equation which shows that the probability value of the influence of GCG on profitability is 0.193, which is greater than the 0.05 significance level. Thus, the increase in the profitability of mining companies listed on the Indonesia Stock Exchange in 2016 – 2019 is not affected by an increase in GCG.

The results of this study are not in line with previous research conducted by Mohklas & Pancawardani (2020) which revealed that GCG as measured by institutional ownership has an effect on profitability. Based on the results of this study, institutional ownership does have a very high number of shareholdings so that institutions will tend to act for personal interests at the expense of the interests of minority shareholders and will create an imbalance in determining the direction of company policy which will actually benefit the majority shareholders, namely the institutional side. . This unfavorable situation will not improve the company's financial performance.

Hypothesis 2: The results of the study indicate that there is no significant direct effect of GCG on tax avoidance in mining companies listed on the Indonesia Stock Exchange in 2016 – 2019. This is proven through the results of hypothesis testing in the path analysis equation which shows that the probability value of the path coefficient of the influence of GCG to tax avoidance is equal to 0.195 which is greater than the significance level of 0.05. This means that GCG is not able to make a significant contribution to increasing tax avoidance in mining companies listed on the Indonesia Stock Exchange in 2016 - 2019. This shows that institutional ownership which is one component of GCG is not working properly, namely controlling company activities, especially in relation to avoidance. tax. The interests of institutional owners who expect profits from the company, so that instead of controlling the existence of management actions that have the potential to avoid tax, institutional owners actually encourage management to take tax avoidance actions.

Hypothesis 3: The results showed that there was a significant direct effect of leverage on profitability. This is proven by the results of hypothesis testing in the path analysis equation which shows that the probability value of the influence of leverage on profitability is 0.003 less than the significance level of 0.05. Thus, the increase in the profitability of mining companies listed on the Indonesia Stock Exchange in 2016 – 2019 is influenced by the development of leverage made by the company.

One of these variables is measured using the debt to total asset ratio (DAR) because it can measure how much the company's assets are financed by total debt. debt to total asset ratio (DAR) is a ratio used to measure the company's solvency level. Sales growth is defined as an increase in the number of sales from time to time or from year to year (Kennedy et al.,2013). Sales growth is an activity that has an important role in working capital management, this is because the company can predict how much profit will be obtained with the amount of sales growth.

Hypothesis 4: The results show that there is a significant direct effect of leverage on tax avoidance in mining companies listed on the Indonesia Stock Exchange in 2016 – 2019. This is proven by the results of hypothesis testing in the path analysis equation which shows that the profitability of the path coefficient has the effect of leverage on tax avoidance that is equal to 0.003 is smaller than the significance level of 0.05. This means that leverage has an effect on increasing tax avoidance in mining companies listed on the Indonesia Stock Exchange in 2016 – 2019.

Syamsudin (2009) revealed that leverage is a ratio that can show the relationship of long-term loans provided by creditors with the amount of own capital provided by the company owner. Meanwhile, according to Swingly & Sukartha (2015), a good effective tax rate can be seen from the company's large debt. Companies that can utilize their debts efficiently and effectively in financing the company's assets, so that the company's operational activities can be maximized and the opportunity to get the maximum profit is even greater. If the company's profit is greater, the tax burden will also be greater so that the company tends to do tax avoidance.

Hypothesis 5: The results of the study show that there is a significant direct effect of profitability on tax avoidance in mining companies listed on the Indonesia Stock Exchange in 2016 – 2019. This is proven by the results of hypothesis testing in the path analysis equation which shows that the probability value of the influence of profitability on tax avoidance of 0.000 is smaller than the 0.05 significance level. The magnitude of the influence of profitability on tax avoidance is quite large with an f2 value of 1.022. Thus, greater profitability will increase tax avoidance in mining companies listed on the Indonesia Stock Exchange in 2016 – 2019.

The results of this study indicate that a high level of profitability tends to increase the tendency of tax avoidance. This is because the measurement of tax avoidance in this study uses the difference between accounting profit and fiscal profit. Companies with large profits, make companies try to make fiscal corrections as much as possible so that the value of taxable profit becomes lower. Thus, the higher the level of profitability of the company, it actually makes the company increasingly seek to enlarge the fiscal correction in an effort to reduce the value of the company's fiscal profit

Hypothesis 6: The results of this study indicate that there is no significant indirect effect of GCG on tax avoidance through profitability. This is proven by the results of hypothesis testing in the path analysis equation which shows that the probability value of the indirect effect of GCG on tax avoidance through profitability is 0.219, which is greater than the 0.05 significance level. This means that profitability is not able to mediate the relationship between GCG and tax avoidance.

This study is in line with the results of research by Mohklas & Pancawardani (2020) which explain that institutional ownership has no effect on tax avoidance mediated by profitability. Very high institutional ownership will tend to act for personal interests at the expense of the interests of minority shareholders and will create an imbalance in determining the direction of company policy which in turn will benefit the majority shareholders, namely the institutional side. This unfavorable situation will not improve the company's financial performance. The absence of the company's financial performance will trigger management to reduce the tax burden through tax avoidance mechanisms.

Hypothesis 7: The results of this study indicate that there is a significant indirect effect of leverage on tax avoidance through profitability. This is proven by the results of hypothesis testing in the path analysis equation which shows that the probability value of the indirect effect of leverage on tax avoidance through profitability is 0.014, which is smaller than the 0.05 significance level. This means that profitability is able to mediate the relationship between leverage and tax avoidance.

Wijayanti & Merkusiwati (2017) reveal that leverage is the use of debt used by the company to meet the company's operational and investment needs. The amount of debt will cause a fixed burden called the interest expense that must be paid by the company. The interest expense that arises will be a deduction from the company's net profit which will reduce tax payments so as to achieve maximum profit. Thus, the leverage factor will have a negative effect on the level of company profitability, while the company's profitability is actually a factor that encourages companies to make tax avoidance efforts.

Conclusions and Suggestions

1. Good Corporate Governance does not directly affect profitability. This means that the development of GCG does not have a direct impact on the development of the company's profitability. Institutional ownership has a very high number of shareholdings so that institutions will tend to act for personal interests which creates an imbalance in determining the direction of company policy which will even be more beneficial to the majority shareholder, namely the institution. This unfavorable situation will not increase the company's profitability.
2. Good Corporate Governance has no direct effect on tax avoidance. In this case, GCG which is measured using institutional ownership indicators is proven to have no direct effect on tax avoidance, meaning that the size of the change in corporate governance does not make tax avoidance practices by the company avoidable.
3. Leverage has a direct effect on profitability. This can be interpreted that changes in leverage have an effect on increasing profitability where the company is able to utilize its debts efficiently and effectively in financing the company's assets, so that the company's operational activities can be maximized and lead to greater opportunities to generate large profits.
4. Leverage has an effect on tax avoidance. This means that the increase and decrease in leverage has a significant impact on the tendency of companies to avoid tax. The greater the company's debt, the greater the burden and interest that must be paid by the company which causes the company's profit to decrease. If the company has a large profit then the tax burden borne is also large, so the company tends to do tax avoidance.
5. Profitability has a direct effect on tax avoidance. This means that companies with high profitability are able to manage their profits and position themselves in tax planning, so the higher the tendency of companies to make tax avoidance efforts.
6. Good Corporate Governance does not have an indirect effect on tax avoidance through profitability. This happens because the corporate governance factor with the portion of institutional ownership cannot carry out its function properly in controlling the company's operations in increasing profitability, which actually encourages the management to avoid tax evasion.
7. Leverage has an indirect effect on tax avoidance through profitability. This happens because the capital decision makes the company hold profits to strengthen its own capital which results in a decrease in profitability, while the development of profitability affects the company's tendency to avoid tax.

This study has limitations seen from the research subject and the variables used. The limitations of this study include, this study only uses mining companies listed on the Indonesia Stock Exchange in 2016 – 2019 which have company characteristics that are not too diverse, especially in corporate governance which is limited to the mining sector. and leverage which is considered to have an influence on profitability and tax avoidance.

Researchers contribute suggestions. First, the government, in this case as the legislature, is expected to be more assertive and active in reforming laws and taking policies to prevent tax avoidance, because currently there are still some gaps that can be exploited by taxpayers to take tax avoidance actions. tax avoidance). Second, for mining companies listed on the Indonesia Stock Exchange to improve the leverage carried out by the company by not being too dependent on funding sources from outside the company so that it can increase the company's profitability and can improve corporate governance, especially by implementing strict supervision through institutional ownership. which is expected to reduce the possibility of tax evasion. And Third, for future researchers it is better to conduct research with more diverse research subjects, for example by using all companies listed on the BEI. and future researchers should use other factors as variables that affect tax avoidance such as the cost of capital, earnings management, profitability, and so on

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