



THE PRESENCE OF ROA AS A MODERATING VARIABLE IN THE EFFECT OF FOREIGN OWNERSHIP AND TRANSFER PRICING ON TAX AVOIDANCE

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ABSTRACT

Developing countries such as Indonesia are in dire need of state revenue to cover government expenditures in building infrastructure. Tax revenue in Indonesia is still considered not running optimally. This is because Indonesia's tax ratio is still relatively low, not reaching the standard level of tax ratio that should be for developing countries. Tax revenue is considered less than optimal due to cases of tax avoidance from business actions that take advantage of the loopholes in applicable tax regulations.

This research aims to find out the influence of foreign ownership and transfer pricing on tax avoidance with ROA as a moderating variable using quantitative descriptive research methods. Statistical testing was carried out using panel data regression analysis with the help of Eviews software.

The results of the study can be concluded that foreign ownership has no effect on tax avoidance, transfer pricing has an effects on tax avoidance, ROA is unable to moderate foreign ownership on tax avoidance, and ROA unable to moderate transfer pricing on tax avoidance.

INTRODUCTION

Developing countries such as Indonesia are in dire need of revenue receipts to cover their government expenditures in building infrastructure. Compared to other sectors, taxation is one of the largest sources of revenue for the government, accounting for about 80% of the country's overall revenue, if calculated in percentage terms, so taxes play an important role in being used by the Indonesian government to fund development projects and public welfare (Kemenkeu, 2024). This introduction explains the background of the research, the formulation of the problem, the

statement of objectives and (if necessary) the organisation of the paper.

Indonesia's tax ratio is still considered low and has not reached the standard level of developing countries' tax ratio of 15%. Data from Indonesia's Ministry of Finance shows that the tax ratio in 2022 reached 10.41% of GDP, but the 2023 tax ratio target actually fell to 9.61% (Kemenkeu, 2024).

Although taxes are a major source of revenue for the state, imposing taxes on companies is a burden that will reduce net income (Sari et al., 2021). There are cases of tax evasion from business actions that utilise the loopholes of the applicable tax regulations, which makes tax revenue

considered less effective (Muhajirin et al., 2021).

A report from The State of Tax Justice in 2020 showed that tax evasion in Indonesia ranked 4th in Asia, with the highest cases in China, followed by India and Japan. This data shows that the level of tax evasion in Indonesia is still very high. (Tax Justice Network, 2022).

The phenomenon of tax avoidance can be seen in the findings of the Tax Justice Network which shows that multinational companies shift their profits to countries that are considered tax havens, with the aim of avoiding reporting the amount of profit actually generated in the country where the company operates, mentioned in the Tax Justice Network report entitled The State of Tax Justice 2020: Tax Justice in the Time of Covid-19, a figure of US\$ 4.78 billion or Rp 67.6 trillion is the result of corporate tax avoidance in Indonesia (Santoso, 2020).

When management and company owners try to maximize their profits, a conflict of interest occurs, which makes it difficult to unite their wishes. As a result, management's actions are not always in accordance with the wishes of the principal, which causes the principal to supervise management. Agency problems are often triggered by information asymmetry or imbalance of information conveyed by management to owners or shareholders.

Agency theory relates to the avoidance of corporate tax by Jensen & Meckling (1976), which states that an agency relationship is 'a contract in which one or more people (leaders) hire another person (agent) to perform certain tasks on their behalf, and give the agent the authority to make decisions (Jensen & Meckling, 1976).

Both owners and agents are considered to have economic ratios and are motivated by self-interest, so that despite the contract, the agent will not do what is in the best interest of the owner. The agent, as the party authorised over the company's activities and required to provide the company's financial statements, is likely to report in a way that maximises the company's profits without

compromising the interests of shareholders (Suryani et al., 2023).

Information asymmetry, also known as the imbalance of information communicated by management to owners or shareholders is one of the main causes of such agency problems. (Syahrudin, 2022). The difference in information between management and shareholders on how to avoid taxes causes this conflict.

If shareholders know the company is doing tax avoidance without the knowledge of all parties, the conflict can continue. Therefore, information transparency is needed in a company (Laksmi et al., 2023).

Tax avoidance is one of the strategies in tax planning (Yuliandana & Ramadhan, 2021a). These activities are a series of tax planning activities carried out with the aim of reducing taxes by utilising existing regulations. Tax avoidance is legal if it complies with applicable regulations so that it is included in acceptable tax avoidance (Laksmi et al., 2023).

One of the issues and challenges in taxation is aggressive tax planning, known as Base Erosion and Profit Shifting (BEPS) (Hutagaol, 2023). Businesses may consider the costs and benefits to be gained when engaging in tax avoidance. However, due to the direct and indirect costs that may outweigh the benefits gained from tax avoidance, shareholders may not always want to do so.

In agency theory, agents will increase company profits. A higher profitability value will be followed by greater profits generated by the company. Agents will try to manage their tax burden well so that they do not lose performance compensation because the tax burden reduces company profits (Prasetya & Muid, 2022).

Companies that generate profits should have a low tendency to avoid tax avoidance and can pay taxes according to regulations. As a result, the likelihood of a company to comply with tax provisions will increase along with its profitability level (Niandari & Novelia, 2022). Tax costs will increase with large profits, so management can reduce tax costs with tax avoidance (Niandari & Novelia, 2022).

According to the case of tax avoidance, more debt will lead to greater interest expense, so the tax cost will decrease if the interest rate is high (Fauzan et al., 2019). In addition, companies that generate large profits are more likely to engage in tax avoidance activities. The company's ability to generate profits is measured by the profitability ratio (Kasmir, 2021).

Companies choose this method because they can spread out the tax costs they have to pay through stock dividends. Large companies will have a larger tax burden when their income is subject to tax. As a result, most companies strive to minimise the taxes they have to pay, which is one of the reasons why they are tougher on taxes (Chen et al., 2010).

In addition, the reason for companies to use tax avoidance practices is foreign ownership. Foreign shareholders who own most of the company's shares will find it easier to use their influence and take actions that benefit themselves if the company's share price rises. When foreign controllers own more shares, they have more control over decisions made within the company in their favour, such as pricing policies and the number of transfer pricing transactions (Muhajirin et al., 2021).

Foreign ownership may influence business policies to reduce tax burden due to the desire to earn high rates of return. (Alianda & Azhar, 2021). Multinational companies such as Adaro may conduct sales transactions of goods and services with each other. The transaction price between divisions or between companies that have this special relationship is known as transfer pricing. Companies use transfer pricing as a way to reduce their tax burden which can be achieved in various ways, such as shifting their profits to countries with lower tax rates within an accounting period.

The tax burden borne by the company will be greater along with the amount of profit earned by the company in the accounting period so that the company is very likely to apply transfer pricing. (Prasetio & Mashuri, 2020). Transfer pricing is considered a common measure for

companies to manage the amount of their profits with the aim of reducing tax payment obligations to the state (Hendrylie et al., 2023). However, this attempt to apply transfer pricing to avoid tax may cause problems for the country's tax authorities (Pohan, 2018).

Adaro has also been linked to allegations of transfer pricing by the company. The allegations were reported by Global Witness which revealed that from 2008 to 2017, Adaro had arranged to pay US\$125 million less in taxes than it would have in Indonesia through its Singapore subsidiary Coaltrade Services International to market its coal in international markets (cnbcindonesia.com).

By using tax havens, Adaro has been able to reduce its tax bill in Indonesia, saving the Indonesian government nearly US\$14 million each year, which can be used for public purposes. This problem has been around for a long time, because it appeared when Adaro went public in 2008. In the 2008 case, there were allegations of Adaro's price transfers through affiliated companies in Singapore. Because Adaro was not proven to have committed tax evasion, the problem eventually evaporated but reappeared in 2019 and is still continuing.

Some of the factors supporting the occurrence of tax avoidance include: ROA, foreign ownership and transfer pricing (Moeljono, 2020). Research related to foreign share ownership, transfer pricing, ROA on tax avoidance (*tax avoidance*) never done by Hendrylie et al., (2023) with the result that the amount of transfer pricing value affects the company's decision to conduct tax avoidance. Prasetio & Mashuri (2020) with the results of foreign ownership affecting transfer pricing and research by Fauzan et al., (2019) which states that ROA has an effect on tax avoidance then Muhajirin et al., (2021) with the results of transfer pricing and foreign ownership have a positive effect on tax avoidance.

Different research results were obtained by Dewi & Suardika (2021) with the conclusion that transfer pricing has no significant effect on tax avoidance and

ROA has no significant effect on tax avoidance. This result is supported by research Sujannah, (2021) that transfer pricing has no effect on tax avoidance and is reinforced by Arliani & Yohanes (2023) that transfer pricing, and return on assets have no influence on tax avoidance.

Companies with high profitability have a higher tax burden and this is a driving factor for companies to conduct transfer pricing aggressiveness on profit shifting. (Davies et al., 2018). The strategy often applied by company managers to maximise accounting profit is to reduce the tax burden that must be paid. (Nugroho et al., 2024) The smaller the corporate tax cost, the more likely it is to transfer profits through transfer pricing mechanism. Conversely, the greater the corporate tax cost, the less likely the transfer of profits through transfer pricing (*Wulandari et al., 2021*).

The results of research that revealed the effect of profitability in moderating transfer pricing on tax avoidance were conducted by (Sujannah, 2021) with the results of profitability can not moderate the effect of transfer pricing on tax avoidance. and (Nugroho et al., 2024) With the result that profitability has no significant effect on moderating the connection between transfer pricing and tax avoidance, in practice, companies that report consecutive losses in several years actually have a low or even negative level of profitability, even though these companies actually carry out transfer pricing practices in the context of tax avoidance.

The novelty of this research with previous research is that this study uses moderating variables, namely ROA and uses different objects and years of research.

With regard to the phenomenon and the differences in several studies above, the authors are interested in conducting research on foreign ownership, transfer pricing with reference to corporate tax avoidance through ROA entitled 'The Effect of Foreign Ownership and Transfer pricing on Tax Avoidance with ROA as a Moderating Variable in Companies with foreign ownership'.

The objectives of the research conducted by this author are as follows: 1) To prove empirically the effect of foreign ownership on tax avoidance in companies listed on the Indonesia Stock Exchange in 2019-2023 2) To prove empirically the effect of transfer pricing on tax avoidance in companies listed on the Indonesia Stock Exchange in 2019-2023 3) To empirically prove the effect of foreign ownership on tax avoidance with ROA as a moderating variable in companies listed on the Indonesia Stock Exchange in 2019-2023 4) To empirically prove the effect of transfer pricing on tax avoidance with ROA as a moderating variable in companies listed on the Indonesia Stock Exchange in 2019-2023.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Agency Theory

Which states that an agency relationship is 'a contract in which one or more people (leaders) hire another person (agent) to perform certain tasks on their behalf, and give the agent the authority to make decisions (Jensen & Meckling, 1976).

Considered as parties who have economic ratios and are motivated by self-interest, agents and owners will not do anything in the interests of the owners despite the existence of a contract (Pawitri et al., 2024).

Information asymmetry, also known as the imbalance of information communicated by management to owners or shareholders, is one of the causes of agency conflicts. As a result, the agent's actions are not always in accordance with the principal's wishes, which encourages the principal to supervise the agent (Syahrudin, 2024)

There is an information imbalance between management and shareholders about how the company avoids taxes. If shareholders find out that the company is doing so without the knowledge of all parties, agency conflicts may continue. Therefore, information transparency is

very important for a company (Laksmi et al., 2023).

Concept of Taxation

Taxes, which are compulsory payments to the state made by individuals or entities that are compelling by law, are used for state purposes and for the prosperity of the people (Mardiasmo, 2018). Taxes are results imposed unilaterally by and owed by the government, in accordance with general standards, and are used only to cover public expenses (Resmi, 2019).

Tax Avoidance

Tax planning is one way that management does to reduce the amount of tax paid by the company. One of the strategies in tax planning is tax avoidance (Yuliandana & Ramadhan, 2021).

This tax avoidance effort is carried out legally and safely for taxpayers because it does not conflict with tax provisions, and the methods and techniques used tend to take advantage of weaknesses (grey areas) in the tax laws and regulations themselves to reduce the amount of tax payable (Pohan, 2018).

Tax avoidance is an attempt to reduce the tax payable by a business without violating the law. This is proxied by the Cash Effective Tax Rate (CETR), which is expected to identify the aggressiveness of corporate tax planning using fixed and temporary differences (Ardelia et al., 2023).

Foreign Ownership

Since they have more control and access to various information compared to non-controlling shareholders, controlling shareholders are in a better position in a concentrated ownership structure (Zarkasih & Maryati, 2023).

It is very important to pay attention to how company managers act. This allows foreign controlling shareholders to participate more actively in the management of the company. The more shares they own, the more control they have over decisions made within the company in their favor, such as the

number of transfer pricing transactions and pricing policies (Muhajirin et al., 2021).

Transfer pricing

One of the taxation issues is transfer pricing, which is an attempt to avoid global taxes by increasing the purchase price (above invoice) or decreasing the sales price (below invoice) (Reineke & Weiskirchner-Merten, 2021).

The dichotomy method, which assesses the existence of sales to related parties, is used to calculate transfer pricing (Al Hasyim et al., 2022).

Return On Asset (ROA)

Before investing in shares in an issuer, investors will analyze financial performance to ensure that the issuer can generate profits (Dany Merliyana et al., 2021). Company performance is a description of the company's financial condition as measured by financial analysis tools. It shows the company's work performance over a certain period of time (Allan et al., 2020).

To measure the company's performance, it can use the profitability ratio, which is a ratio to assess the company's ability to seek profit. (Kasmir, 2021). Companies that have high profitability get the opportunity to position themselves to implement tax avoidance so that they can reduce the amount of their tax burden obligations. (Zarkasih & Maryati, 2023).

Meanwhile, one type of profitability ratio that can be used to assess and the financial position of a company is by using the return on assets (ROA) ratio, which is a ratio to measure net profit after tax with total assets. (Kasmir, 2021).

Hypothesis

If the company's share price rises, foreign shareholders who already own most of the company's shares will find it easier to exercise their influence and take actions that favour themselves. In order to obtain a high rate of return, foreign ownership may contribute to the determination of corporate policies that lead to minimising the tax burden. (Alianda et al., 2021). Research results Prasetio &

Mashuri, (2020) shows that foreign ownership affects transfer pricing and (Muhajirin et al., 2021) concluded that transfer pricing and foreign ownership have a positive effect on tax avoidance.

H1: Foreign ownership affects tax avoidance

Transfer pricing is considered a common measure for companies to manage the amount of their profits with the aim of reducing tax payment obligations to the state. (Hendrylie et al., 2023). However, this attempt to apply transfer pricing to avoid tax can cause problems for the country's tax authorities.

The results of research that reveal transfer pricing has a positive influence on tax avoidance are research from Hendrylie et al., (2023) and Putri & Mulyani, (2020).

H2: *Transfer pricing affects tax avoidance.*

When a company's taxable income is large, their tax burden will also increase. As a result, most companies make various efforts to minimise the tax payable and this is one of the factors that make companies more tax aggressive. (Chen et al., 2010).

The results of research that reveal foreign ownership has an impact on tax avoidance and profitability, namely Ayu Wardan & Nissa Nurharjanti (2019) which states that ROA has an effect on tax avoidance and tax evasion. Wiranata & Nugrahanti (2013) which shows that foreign ownership has a positive effect on company profitability.

H3: ROA is able to moderate the effect of Foreign Ownership on tax avoidance.

Transfer pricing which is an attempt to avoid taxes around the world by increasing the purchase price (over invoice) or decreasing the sales price (under invoice) (Ilyas & Suhartono, 2018). Multinational companies often use transfer pricing practices to reduce their tax burden.

The results of research that revealed the effect of profitability in moderating

transfer pricing on tax avoidance were conducted by Sujannah (2021) with the results of profitability can not moderate the effect of transfer pricing on tax avoidance. and Nugroho et al., (2024) with the result that profitability does not significantly moderate the connection between transfer pricing and tax avoidance.

H4: ROA is able to moderate the effect of transfer pricing on tax avoidance.

RESEARCH METHODOLOGY

The research subject is to limit the research subject as an object, thing or person to which the data for the research variable is attached, and which is at issue. (Arikunto, 2019). The object of this research is foreign ownership, transfer pricing, tax avoidance and ROA in companies listed on the Indonesia Stock Exchange for the 2019-2023 period.

Researchers in this study used a quantitative approach, the methods used were descriptive and verification methods. This study will explain the effect of foreign ownership and transfer pricing on tax avoidance with ROA as a moderating variable in companies with foreign ownership in 2019-2023.

The population of this study is companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period as many as 212 foreign companies for 5 years so that the total population is 1060 financial reports. To determine the number of samples selected in this study, purposive sampling technique was used.

The data analysis technique uses panel data regression analysis techniques through the Eviews version 12 program. The combination of time series data with cross section is called panel data.

The test steps carried out in this study are the selection of data estimation models by conducting the chow, hausmann and langrange multiplier tests after that conducting multicollinearity, Heteroscedasticity, panel data regression analysis and MRA tests.

RESULTS AND DISCUSSION

Results

Object of Research

The sampling technique used is using Nonprobability Sampling and through purposive sampling technique, which means that the sampling technique with certain considerations, the research sample obtained amounted to 18 sample companies so that the total research sample data for 5 years amounted to 90 sample data. The following are 18 companies that were used as research samples by the author:

Table 1 Research Sample Company

No	Issuer Code	Company Name
1	ACES	Ace Hardware Indonesia Tbk.
2	APII	Arita Prima Indonesia Tbk.
3	ASII	Astra International Tbk.
4	BHIT	MNC Asia Holding Tbk.
5	BISI	BISI International Tbk.
6	BPII	Batavia Prosperindo Internasional
7	BSSR	Baramulti Suksessarana Tbk.
8	CLPI	Colorpak Indonesia Tbk.
9	CPIN	Charoen Pokphand Indonesia Tbk
10	CSAP	Catur Sentosa Adiprana Tbk.
11	DVLA	Darya-Varia Laboratoria Tbk.
12	EXCL	XL Axiata Tbk.
13	GEMS	Golden Energy Mines Tbk.
14	GOOD	Garudafood Putra Putri Jaya Tbk
15	HEXA	Hexindo Adiperkasa Tbk.
16	IBST	Inti Bangun Sejahtera Tbk.
17	INDF	Indofood Sukses Makmur Tbk.
18	KPIG	MNC Land Tbk.

Source: data processed by researchers (2024)

Descriptive Statistical Analysis

Descriptive statistical methods are used to obtain a systematic, factual and accurate description of the facts, characteristics and relationships regarding the indicators in the variables in the study so as to describe the research variables, namely foreign ownership, transfer pricing and tax avoidance and ROA. The following are the results of the descriptive statistical analysis data processing process:

The results of descriptive statistical analysis on the dependent variable, namely tax avoidance (Y) as measured using the CETR (Cash Effective Tax Rate) measurement proxy which shows that during the research period the average value (mean) calculated by summing all data is then divided by the amount of data. The resulting mean value is 20.91 or equivalent to 20.91%, and the standard deviation value is 20.393 or equivalent to 20.39%, which means that the standard deviation of tax avoidance is 20.393, this indicates that the data distribution does not vary because the standard deviation value is lower than the average value. The minimum value of tax avoidance is -154.119 which is found in companies with the issuer code EXCL or XL-Axiata Tbk in 2020, then the maximum value of 47.63 is found in Arita Prima Tbk in 2022.

The results of descriptive statistical analysis on the independent variable (X1), namely foreign ownership, show that during the research period the average value (mean) calculated by summing all data is then divided by the amount of data. The resulting mean value is 59.95 or equivalent to 59.95%, and the standard deviation value is 26.84 or equivalent to 26.84%, which means that the standard deviation of tax avoidance is 20.393, this indicates that the data distribution does not vary because the standard deviation value is lower than the average value. The minimum value of foreign ownership is 7.07 which is found in the Golden Energy Mines Tbk company in 2023, then the maximum value of 99.39 is found in Golden Energy Mines Tbk in 2020.

The results of descriptive statistical analysis on the independent variable (X2), namely transfer pricing, show that during the research period the average value (mean) calculated by summing all data is then divided by the amount of data. The resulting mean value is 15.22 or equivalent to 15.22%, and the standard deviation value is 23.71 or equivalent to 23.71%, which means that the standard deviation of tax avoidance is 23.71, this indicates that the distribution of data varies because the standard deviation value is higher than the

average value. The minimum transfer pricing value is 0.001 which is found in the Inti Bangun Sejahtera Tbk company in 2022, then the maximum value of 87.656 is found in MNC Land Tbk in 2023.

The results of descriptive statistical analysis on the moderating variable (Z), namely ROA (return on assets) which shows that during the research period the average value (mean) calculated by summing up all data is then divided by the amount of data. The resulting mean value is 0.077 or equivalent to 7.71%, and the standard deviation value is 0.11 or equivalent to 11%, which means the standard deviation of ROA is 0.11, this shows that the distribution of data varies because the standard deviation value is higher than the average value. The minimum value of ROA is 0.0006 which is found in the Charoen Pokphand Tbk company in 2023, then the maximum value of 61.76 is found in Golden Energy Mines Tbk in 2021.

Panel Data Regression Model Selection

Based on the three tests carried out, namely the chow test, hausman test and lagrange multiplier test, the results show that the Common Effect Model (CEM) was selected twice, so it can be decided that the Common Effect Model (FEM) to be used in this study is because the best model.

The following Common Effect Model (CEM) model is formed:

Multicollinearity Test

Based on the correlation test results obtained that the results of the correlation coefficient value between the independent variables obtained a value <0.80, it can be concluded that the multicollinearity test is the second way based on the table, that this model does not experience multicollinearity problems.

Heteroscedasticity Test

Based on the results of testing the correlation coefficients with the Glejser test listed in the figure above, all the probability values of the independent variables > 0.05, it can be concluded that H₀ is accepted, namely there is no heteroscedasticity

because the probability significance value > 0.05.

Panel Data Regression

Based on the results of panel data regression analysis, the panel data regression analysis equation model obtained is:

$$Y = 27.6956805013 - 0.0550532610025 \cdot X_1 - 0.228306492799 \cdot X_2$$

The results of the above equation can be analysed in terms of the following:

The result of the constant value in the panel data regression analysis obtained a result of $\alpha = 27,695$, which means that if the independent variable consisting of foreign ownership and transfer pricing variables is 0, the value of the dependent variable, namely tax avoidance in the CETR regression equation is 27,695 when there is no addition of independent variables.

The result of the coefficient value of panel data regression analysis on the foreign ownership variable obtained a negative value of -0.0550 which means that if the foreign ownership variable increases by one unit, tax avoidance will decrease by - 0.0550, with the assumption that the other independent variables in the regression model are constant.

The result of the coefficient value of panel data regression analysis on transfer pricing variable obtained a negative value of -0.2283 which means that if the transfer pricing variable increases by one unit, the tax avoidance will increase by - 0.2283, with the assumption that the other independent variables in the regression model are constant.

Hypothesis Test

Hypothesis testing using the t test where the t test is used to test based on the influence between the independent variable on the dependent variable, with a significance level used of 0.05. Based on table 4.9 regarding the t-test output, it can be explained as follows

The foreign ownership variable has a coefficient value of -0.0550 and a probability value of 0.4863. The probability

value for the foreign ownership variable is greater than 0.05 ($0.4863 > 0.05$). Thus, Hypothesis 1 is rejected, partially foreign ownership has no effect on tax avoidance.

Transfer pricing variable has a coefficient value of -0.2283 and a probability value of 0.0121. The probability value for transfer pricing variable is greater than 0.05 ($0.0121 < 0.05$). Thus, Hypothesis 2 is accepted, partially transfer pricing has an effect with a negative relationship direction on tax avoidance.

Test Coefficient of Determination (R^2)

The coefficient of determination test aims to measure how far the model's ability to explain variations in the dependent variable (Ghozali, 2021). The classification of the correlation coefficient is 0 (no correlation), 0-0.49 (weak correlation), 0.50 (moderate correlation), 0.51-0.99 (strong correlation), 1.00 (perfect correlation).

Based on figure 3, it is known that the coefficient of determination or R-squared is 0.051 or 5.1%, this shows that the tax avoidance variable can only be influenced by the foreign ownership and transfer pricing variables by 5.1%, while the remaining 94.9% is influenced by other variables that are not examined in this study.

Moderated Regression Analysis (MRA)

The results of the Moderated Regression Analysis (MRA) test use Eviews version 13 and as a basis for decision making, if the significance value is less than 0.05 (<0.05), it means that the hypothesis can be accepted, while if the significance value is more than 0.05 (>0.05), the hypothesis is rejected. The following are the results of the moderated regression analysis (MRA) test that has been carried out.

The ROA variable in moderating foreign ownership (X1Z) obtained a coefficient value of 0.6102 with a significance level of 0.418, this value is greater than the significance level of 0.05 ($0.418 > 0.05$). These results indicate that ROA is unable to moderate foreign ownership (X1) on tax avoidance (Z) so

that Hypothesis 3 (H3) is successfully proven.

The ROA variable in moderating transfer pricing (X2Z) obtained a coefficient value of 1.708 with a significance level of 0.2148, this value is greater than the significance level of 0.05 ($0.2148 > 0.05$). These results indicate that ROA is unable to moderate transfer pricing (X2) on tax avoidance (Z) so that Hypothesis 4 (H4) is successfully proven.

Discussion

The Effect of Foreign Ownership on Tax Avoidance

Foreign shareholders prefer to obey the rules and not avoid taxes, this is because foreign investors strongly consider the costs arising from the practice of tax avoidance, including legal risk, company reputation, and tax consulting fees to inhibit tax avoidance practices. Legal and reputational risks will be more expensive than the benefits that will be obtained. In addition, the costs incurred when doing tax planning by avoiding taxes and using the services of tax consultants or accountants are also highly considered because the competence of tax consultants or accountants must be more expert in handling multinational companies.

The results of this study are in line with research conducted by Dewi & Suardika (2021), Arliani & Yohanes (2023), Fitri & Fauziati (2022) and Tiyanto & Achyani (2022) with the results of his research foreign ownership has no effect on tax avoidance. The results of the study are not in line with those conducted Sujannah, (2021), Al Hasyim et al., (2022) with the conclusion that foreign ownership has a negative effect on tax avoidance.

The Effect of Transfer Pricing on Tax Avoidance

Multinational companies often use transfer pricing techniques to reduce their tax burden. Company managers, especially large companies, may use transfer pricing to maintain their profits. (Yohana et al., 2022). This technique usually involves selling goods and services

below market price within a group, and then transferring the profits to a group domiciled in a country with a lower tax rate.

Companies may engage in tax avoidance with transactions related to fixed assets. This explains that companies utilise loopholes in taxation to avoid taxes. Companies in Indonesia prefer to do transfer pricing within the same jurisdiction rather than having to go to a country with a low mandatory levy rate or a mandatory levy haven. (Aryotama & Firmansyah, 2019).

The results of this study are in line with research conducted Muhajirin et al., (2021), Sujannah, (2021) and Al Hasyim et al., (2022) with the conclusion that transfer pricing has a negative effect on tax avoidance. While research with different results is produced by Tiyanto & Achyani, (2022) serta Arliani & Yohanes (2023) with the results stating that transfer pricing has no effect on tax avoidance.

The Effect of Foreign Ownership on Tax Avoidance with ROA as a Moderating Variable

Foreign investors generally prefer to invest their capital in companies that have stable profits or profits, therefore the presence or absence of tax avoidance in the company does not affect investors' decisions in making investments. Tax avoidance in a company is not always desirable for shareholders because there are costs arising from tax avoidance that may be greater than the benefits of tax avoidance.

The results of the study can also occur because company management will use loopholes in tax regulations to avoid paying taxes, usually they utilise techniques and methods that tend to have several weaknesses so that they can benefit the company.

The results of this study are not in line with research conducted by Yustia & Khomsiyah (2024) that profitability is able to moderate the effect of foreign ownership on tax avoidance.

The Effect of Transfer Pricing on Tax Avoidance with ROA as a Moderating Variable

To increase their profitability, companies are incentivised to reduce taxes by shifting income from companies with high tax burden to companies with lower tax burden within the business group, the total tax burden of the group can be reduced. (Aryotama & Firmansyah, 2019).

The authority of the Director General of Taxes to test the application of the arm's length principle in transactions between taxpayers and their affiliated parties is stipulated in the Law which explains that the Director General of Taxes is authorised to redetermine the amount of income and deduction as well as determine debt as capital to calculate the amount of Taxable Income for taxpayers who have a special relationship with other taxpayers in accordance with the arm's length principle that is not affected by the special relationship by using the price comparison method between independent parties, the resale price method, the cost-plus method, or other methods.

The results of this study are in line with research conducted by Sujannah, (2021) that ROA is not able to moderate the effect of transfer pricing on tax avoidance.

CONCLUSIONS

Based on the results of data analysis and discussion that has been carried out regarding tax avoidance with independent variables of foreign ownership and transfer pricing and ROA as a moderating variable, the conclusions of this study are:

Foreign ownership has no effect on tax avoidance, it can be caused because foreign shareholders prefer to obey the rules of tax law and not avoid taxes, foreign investors strongly consider the costs arising from the practice of tax avoidance, including legal risk, company reputation, and tax consulting fees to inhibit tax avoidance practices.

Transfer pricing affects tax avoidance. Multinational companies often use transfer pricing techniques to reduce the tax burden that must be paid. This explains that companies take advantage of loopholes in taxation to avoid taxes. Companies in Indonesia prefer to do transfer pricing within the same jurisdiction rather than having to go to a country with a

low mandatory levy rate or a mandatory levy haven.

ROA is unable to moderate foreign ownership on tax avoidance. Foreign investors generally prefer to invest their capital in companies that have stable profits or profits, therefore the presence or absence of tax avoidance in the company does not affect investors' decisions in making investments. Tax avoidance in a company is not always desirable for shareholders because there are costs arising from tax avoidance that may be greater than the benefits of tax avoidance.

ROA is not able to moderate transfer pricing on tax avoidance. To increase their profitability, companies are incentivised to reduce taxes by shifting income from companies with high tax burden to companies with lower tax burden within the business group, the total tax burden of the group can be reduced.

IMPLICATIONS AND LIMITATIONS

Suggestions that can be conveyed by the researcher are as follows:

Company management must pay more attention to what they will do and the risks they will bear in relation to their tax obligations. If management does tax avoidance by violating the law, they will bear the consequences ranging from damage to the image or value of the company to the prison sentence that is ready to wait.

If investors want to make an investment, investors should look at the company's performance first and comply with applicable tax regulations, because tax avoidance is not a natural thing but often happens. Not paying taxes will have a negative impact on investors, companies, and the government.

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