Jurnal Ilmiah Manajemen Ubhara

MAGISTER MANAJEMEN | FAKULTAS EKONOMI DAN BISNIS | UNIVERSITAS BHAYANGKARA JAKARTA RAYA

ISSN 2684-7000 (online) | ISSN 1858-1358 (print)

The Effect of Foreign Ownership, Capital Intensity and Transfer Prices on Tax Avoidance with Company's Size as Moderator (Case Studies of Industrials Companies Listed on The Indonesian Stock Exchanges For the 2016-2021)

Astri Herlina[1*], Nera Marinda Machdar[2], Cahyadi Husadha[3]

[1] Bhayangkara University Jakarta Raya, e-mail: astri.herlina.19@mhs.ubharajaya.ac.id

[2] Bhayangkara University Jakarta Raya, e-mail: nera.marinda@dsn.ubharajaya.ac.id

[3] Bhayangkara University Jakarta Raya, e-mail: cahyadi.husadha@dsn.ubharajaya.ac.id

Corresponding author

Astri Herlina can be contacted at: astri.herlina.19@mhs.ubharajaya.ac.id

‖ *Recieved:29-09-2023* ‖ *Revised: 05-10-2023* ‖ *Accepted: 10-10-2023*

Abstract:

The research is about to test and analyze the impact of foreign ownership, capital intensity, and transfer prices on tax avoidance and to test and analyze the impact of companies' size in moderating foreign ownership, capital intensity, and transfer prices on the tax avoidance listed in the Indonesian stock exchange. Variables used in this study are foreign ownership, capital intensity, and transfer prices as independent variable, tax avoidance as a dependent variable, and company size as a moderate variable. Selection of samples in this study used a factoring method to the established criteria, allowing 27 companies to acquire six years, the total sample used is 162 data. The type of data used is a secondary data obtained from the company's annual financial statements of 2016-2021. The method of data analysis used are panel data analysis, descriptive statistic analysis, classic assumptions test, multiple and moderate regression tests, and hypothetical testing with the help of Eviews 12.

Purpose – The objective to be achieved in this study are as follows (1) To test and analyze the effect of foreign ownership on tax avoidance. (2) To test and analyze the effect of capital intensity on tax avoidance. (3) To test and analyze the effect of transfer prices on tax avoidance. (4) To test and analyze whether company size moderates foreign ownership against tax avoidance. (5) To test and analyze whether the size of the company moderates the capital intensity against tax avoidance. (6) To test and analyze whether the size of the company moderates the transfer price against tax avoidance.

Design/methodology/approach – This research method used is a quantitative method.

Findings – The results of the research: (1) Foreign ownership has a positive effect on tax avoidance; (2) Capital intensity negatively affects tax avoidance; (3) Transfer prices negatively affect tax avoidance; (4) Company size weakens the influence of foreign ownership on tax avoidance; (5) Company size weakens the effect of capital intensity on tax avoidance; (6) Company size weakens the effect of transfer pricing on tax avoidance.

Research limitations/implications – (1) There are some companies that display the details of their company's share ownership, but for foreign shareholding, many companies do not have foreign shares and do not even display details. (2) Not many companies display related receivables on assets, making it difficult for researchers to calculate transfer prices. (3) The results of this study show that not all variables have a positive and significant effect, where there is a possibility of human error at the time of data tabulation.
Practical implications – Foreign ownership, capital intensity and transfer prices are among the factors influencing tax avoidance. Companies that have foreign ownership will influence the company's policy regarding tax avoidance, the greater the portion of foreign ownership in the company the more it will avoid taxes because foreign shareholders who dominate an issuer will influence management in determining policies that will benefit them such as the company's policy to pay taxes. The higher the intensity of fixed assets owned by the company, the higher the possibility of the company to avoid taxes by utilizing depreciation expenses that will affect tax payments and companies that transfer profits to affiliates located in other countries that have smaller rates or even do not charge tax rates by taking advantage of loopholes in tax regulations.

Keywords: Foreign Ownership; Capital Intensity; Transfer Prices; Tax Avoidance; Company Size.

Introduction

The government has made many efforts to optimize tax revenue, but still experiences many obstacles, one of the factors is the activity of tax avoidance. In Indonesia, taxpayers are divided into two, including individual taxpayers and corporate taxpayers. Companies are included in corporate taxpayers who contribute their income tax to the state treasury in accordance with tax provisions. The amount of profit earned by the company for one year will affect the amount of tax that must be deposited into the state treasury. Implementation tax collection does not always get a good response by companies because the income tax deposited by companies to the state treasury is a burden that can reduce the company's net profit. Companies tend to want to pay as little tax as possible while the government as a tax collector wants the maximum possible tax revenue. Due to differences in interests between corporate taxpayers and tax collectors, taxpayers are looking for ways to minimize their tax payments. The way to minimize tax payments can be done legally is tax avoidance.

Tax avoidance related to the company's financial condition factors include foreign share ownership which is shares in a company owned by individuals or institutions originating from outside Indonesia. Some previous researchers have conducted research on the existence of shareholders or foreign investors in a company. Akbar, et al., (2022) found a significant influence between foreign share ownership and tax avoidance. Meanwhile, Mardianti and Ardini (2020) suggest that foreign ownership does not affect tax avoidance because of the implication of foreign-owned companies that are more compliant with the applicable rules in which the company operates, which is also in accordance with international assumptions that foreign companies comply with applicable regulations.

Another factor that can influence the occurrence of tax avoidance is capital intensity. Capital intensity is an investment made in the form of fixed assets in order to increase profits made by managers of a company. Deciding to invest more in fixed assets is one of the company's strategies in carrying out tax avoidance practices because taxes in a company can be influenced by the intensity of fixed assets owned by the company. Almost all fixed assets will experience depreciation so that the depreciation expense will increase on the company. The higher the level of intensity of fixed assets, the higher the depreciation expense that will affect tax payments. As a deduction from corporate profits in tax calculations, the company's large depreciation burden will make the company's profit before taxable smaller, which makes the tax to be paid by the company lower.

Transfer prices are also one of the factors influencing tax avoidance practices. That is why transfer prices in taxation are considered as one way to do tax avoidance. Transfer prices are actually neutral and general, but in practice they are often interpreted as efforts by companies to minimize the amount of tax that must be deposited into the state treasury through price or profit transfers between companies. Companies use transfer pricing through engineering prices transferred between divisions to minimize the amount of tax paid. The company will shift tax obligations and

transfer profits generated by companies domiciled in countries with low tax rates by reducing the selling price between companies in a group so that revenue within a country will be reduced as a result of transfer pricing practices.

Meanwhile, the size of the company was used as a moderation of factors that can influence the occurrence of tax avoidance in this study. Company size is a scale that can describe the condition of the company that has several parameters that can be used to determine the size of the company in various ways such as total assets, total sales, market value and so on. The size of total assets can encourage companies to engage in tax avoidance practices. However, for large companies that have certainly gone public, they will definitely see the public side, if the company avoids taxes and is known by the fiscus, the company will get a bad image in the eyes of the public and will reduce public trust in the company.

In Indonesia, many companies have implemented tax avoidance practices. One of them is like the Ciputra Development Tbk company in 2016, the company carried out tax avoidance, namely by hiding wealth of USD 2.6 billion or equivalent to Rp 21.6 trillion (with an exchange rate of Rp 13,538) with the aim of evading state taxes. It also happened in 2018 in Semarang hill housing developed by the company Karyadeka Alam Lestari, Tbk selling luxury houses for Rp 7.1 billion. However, the notarial deed only says Rp 940 million. Global witness revealed that PT Adaro Energy Tbk in 2019 reportedly committed tax evasion by relying on its Singapore-based company, Coaldtrade Service International, paying US$ 125 million less than the amount it should have deposited with the Indonesian government. Adaro has made efforts to reduce its tax bill by moving much of the money it has to tax havens. Those are some evidences of tax avoidance carried out by companies in Indonesia.

Literature Review

Theory of Agency

According to Jensen and Meckling (1976), agency theory is a relationship that occurs when an employment contract is made between management as an agent and the owner as a principal in the form of a cooperation contract. Agency theory explains how the behavior of related parties in companies that have different interests can cause conflicts of interest (Sahara, 2022). The relationship of agency theory with tax audits is due to the emergence of differences in interests between fiscus and companies. If not managed properly, there will be a conflict of interest from the beginning of information asymmetry. Fiscus (principal) wants large tax revenues, while companies (agents) want to pay taxes to a minimum (Aulia and Purwasih, 2022).

Tax Avoidance

Tax avoidance is an effort to reduce or even eliminate tax obligations without violating applicable tax regulations (Puspitasari, et al., 2018). Tax avoidance is also known as tax planning which is the process of controlling actions taken to avoid the consequences of an undesirable tax burden. Tax evasion is a legal act that is different from tax smuggling. Usually, companies carry out strategies or legal methods in accordance with applicable laws. However, it is done by utilizing things that are ambiguous in the law so that in this case taxpayers take advantage of the loopholes caused by ambiguity in tax law. On the other hand, tax avoidance is not desired by the government because it can reduce state revenue (Artinasari &; Mildawati, 2018).

Foreign Ownership

Foreign ownership is an investment or investment originating from abroad, either in the form of shares or the establishment of foreign companies or institutions for a company that resides in Indonesia in the long and short term. According to Taduga and Noval (2020), foreign ownership is an investment by a foreign party (foreigner) who invests their capital into a dosmestic company that has some shares and voting rights in the company. With the ownership of shares or foreign investors in the company, supervision of the company's performance will be better and with the existence of experts contracted by foreign investors, it will make the company's value increase so that the company will be looked at by other potential investors. Foreign ownership in general can increase income from the tax sector which is realized by the presence or absence of coordination from international taxation (Mardianti and Ardini, 2020).

Capital Intensity

Capital intensity is a company's activity related to investments in the form of fixed assets and a financial decision determined by the company's management. Capital intensity shows how much the company invests in company assets in the form of fixed and stock assets. Fixed assets owned by companies can be used to reduce tax payments seen from the depreciation value of fixed assets (Watson, 2016). Almost all fixed assets will experience

depreciation so that the depreciation expense will increase on the company. The higher the level of intensity of fixed assets, the higher the depreciation expense that will affect tax payments. As a deduction from corporate profits in tax calculations, the company's large depreciation burden will make the company's profit before taxable smaller, which makes the tax to be paid by the company lower.

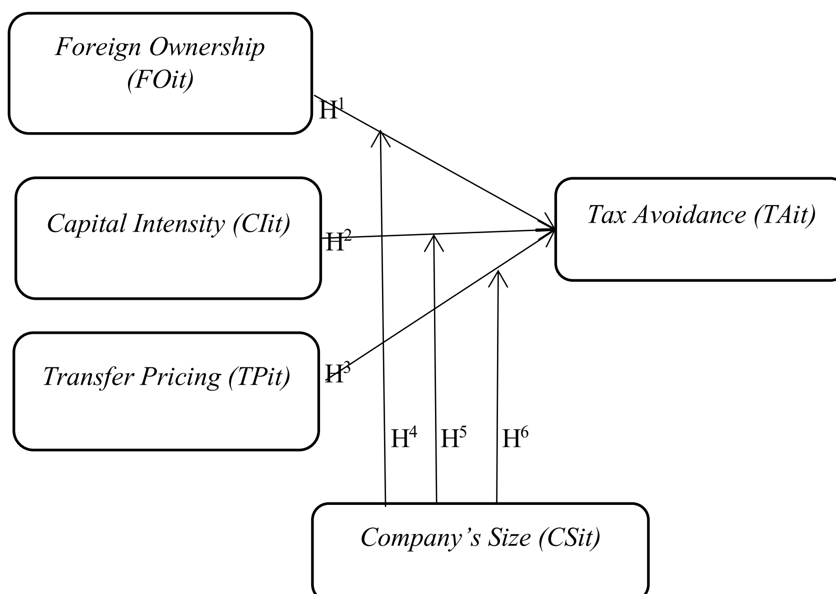
Transfer Pricing

Transfer price is a policy in the company determining the transfer price of a transaction, whether in the form of goods, services or intangible assets or financial transactions carried out by the company. Transfer prices are one of the factors that influence tax avoidance practices. Transfer prices are actually neutral and general, but in practice they are often interpreted as efforts by companies to minimize the amount of tax that must be deposited into the state treasury through price transfers or profits between companies (Fitri, 2023). The Executive Directorate of the Center for Indonesia Taxation stated that the practice of transfer pricing efforts to minimize tax payments to Indonesia is mostly carried out by multinational companies.

Company's Size

Company size is a scale that can describe the condition of a company that has several parameters that can be used to determine the size of the company in various ways such as total assets, total sales, market value and so on (Yusuf, et al., 2020). Company size is a classification of a company based on the number of assets owned by the company. The total assets used to measure the company are the total assets on the company's balance sheet. The maturity stage of the company can also be seen based on total assets, the greater the total assets, it shows that the company has good prospects in the long term and shows that the company is more stable and more able to generate profits than companies with low total assets.

Figure 1: Research Framework



The Effect of Foreign Ownership on Tax Avoidance

Foreign ownership is an investment or investment originating from abroad, either in the form of shares or the establishment of foreign companies or institutions for a company that resides in Indonesia in the long and short term. The greater the proportion of shares owned by foreign parties, the foreign investors also get voting rights to participate in determining company policies. Foreign investors invest in domestic companies hoping to get high returns (Mardianti and Ardini, 2020). Tax avoidance related to the company's financial condition factors include foreign share ownership which is shares in a company owned by individuals or institutions originating from outside Indonesia. The results of this study are consistent with Akbar, et al., (2022), (Sofian and Djohar, 2022), Suranta, et al., (2020), and Marlinda, et al., (2020) revealed that foreign ownership has a positive effect on Tax Avoidance. Based on the explanation mentioned above regarding foreign ownership of tax avoidance, the first hypothesis of the proposed research is:
Hypothesis 1: Foreign ownership has a positive effect on tax avoidance.

The Effect of Capital Intensity on Tax Avoidance

Capital intensity describes the amount of capital needed by the company to make a profit, where one of the sources of funds is obtained from a decrease in fixed activity or an increase in the number of fixed activities. The cost of depreciation of fixed assets increases the company's expenses and lowers profits. According to Solihin, et al., (2020) The amount invested by the company in fixed assets, the expenses incurred by fixed assets in the form of depreciation become a deduction of income in the company's income statement. The smaller the fixed assets owned by a company, the greater the tax burden borne by the company because depreciation of these fixed assets from year to year can directly reduce the profit on which the tax is calculated. So the higher the capital intensity, the greater the possibility of the company to do tax avoidance. The results of this study are consistent with Fitriana (2021), (Madjid and Akbar's, 2023), (Sumantri and Kurniawati, 2023), and Ardini, et al., (2019) revealed that Capital intensity has a positive effect on Tax Avoidance. Based on the explanation mentioned above regarding foreign ownership of tax avoidance, the first hypothesis of the proposed research is:

Hypothesis 2: Capital intensity has a positive effect on tax avoidance.

The Effect of Transfer Prices on Tax Avoidance

Transfer pricing or also called transfer pricing in taxation is considered as one way to do tax avoidance. Actually, transfer pricing is neutral and general, but in practice it is often interpreted as an effort from companies to minimize the amount of tax that must be deposited into the state treasury through the transfer of prices or profits between companies. According to Marwa and Wahyudi (2018), Transfer pricing can result in a reduction or loss of potential tax revenue of a country because multinational companies tend to shift their tax obligations from countries with high tax rates to countries with low tax rates. Transfer prices are used to avoid the amount of profit (profit) so that tax payments to the state are low. The results of research by Amiah (2022), (Sari and Kurniato, 2022), Rahmawati's (2019), and (Sofian &; Djohar, 2022) that transfer pricing has a positive effect on tax avoidance. Based on the explanation mentioned above regarding foreign ownership of tax avoidance, the first hypothesis of the proposed research is:

Hypothesis 3: Transfer prices positively affect tax avoidance.

The Effect of Company Size moderating Foreign Ownership on Tax Avoidance

Foreign ownership is an investment or investment originating from abroad, either in the form of shares or the establishment of foreign companies or institutions for a company that resides in Indonesia in the long and short term. If it is related to foreign share ownership with the high size of the company, it will affect as a reference to see the company's performance based on the high total assets owned by the company. The greater the total assets owned indicates that the company has good prospects in the long term and shows that the company is more stable and more able to generate profits than companies with low total assets. Large companies that have gone public definitely need more funds than small companies. Companies basically want high and stable profits and want minimal tax payers, so companies will be more likely to want to take tax avoidance actions This is supported by the results of Honggo and Marlinah (2019) which suggest that company size affects tax avoidance. Based on the explanation mentioned above regarding foreign ownership of tax avoidance, the first hypothesis of the proposed research is:

Hypothesis 4: Company size strengthens foreign ownership against tax avoidance.

The Effect of Company Size moderating Capital Intensity on Tax Avoidance

Company size is a scale to see the size of a company that can be seen by total assets, and total sales per year. There are three categories of companies, namely small companies, medium companies and large companies. Large companies have a wealth of more than Rp 10 billion including land and buildings. Medium or medium-sized companies have land and building wealth reaching Rp 1-10 billion to less than Rp 50 billion in total sales. While small companies only have a maximum value of IDR 200 million. When associated with capital intensity, the capital intensity ratio describes how much of the company's assets are invested in the form of fixed assets needed by the company to operate where the investment activity comes from the company's profitability level. The results of Wardani and Puspitasari's (2022) research on company size have a positive effect on tax avoidance. Similarly, the results of research conducted by Madjid and Akbar (2023) resulted in company size and capital intensity having a positive effect on tax avoidance. Based on the explanation mentioned above regarding foreign ownership of tax avoidance, the first hypothesis of the proposed research is:

Hypothesis 5: Company size strengthens capital intensity against tax avoidance.

The Effect of Company Size moderating Transfer Prices on Tax Avoidance

Transfer prices in taxation are considered one of the ways to engage in tax avoidance. Although transfer pricing is actually neutral and general, in practice it is often interpreted as an effort from companies to minimize the amount of tax that must be deposited into the state treasury through price or profit transfers between companies. Transfer prices are used to avoid the amount of profit (profit) so that tax payments to the state are low. The results of research conducted by Marlinda, et al., (2020) confirmed that company size has an influence on tax avoidance. Based on the explanation mentioned above regarding foreign ownership of tax avoidance, the first hypothesis of the proposed research is:
Hypothesis 6: Company size strengthens transfer prices against tax avoidance.

Method

Population and sample research

Population is a generalized area consisting of objects or subjects that have certain quantities and characteristics determined by researchers to be studied and then drawn conclusions (Sugiyono, 2019). In this study, the population used is industrial companies listed on the Indonesia Stock Exchange (IDX) with annual reports for the period 2016-2021. The researchers used the Nonprobability Sampling technique with the purposive sampling method. which is sampling based on criteria. The criteria are industrial sector companies listed on the Indonesia Stock Exchange for the 2016-2021 period consecutively.

Type and Source of Data

This research uses a type of quantitative research and the type of data used in this research is secondary data. Secondary data is data obtained indirectly through intermediary media. The source of the data is obtained from the annual financial statements of the industrial sector companies listed on the Indonesia Stock Exchange for the 2016-2021 and can be accessed through the website www. idx.co.id

Operational variables

Variable dependency

Tax avoidance is one of the efforts made by taxpayers to avoid taxes, namely by using legal methods to minimize the amount of income tax owed by individuals or businesses (Ardini et al., 2019). The indicator of tax avoidance used in this study is the Cash Effective Tax Rate (CETR) calculated based on tax payments divided by profit before tax. If the CETR increases then the company is said to be low for tax avoidance and vice versa. Rahmawati (2019) stated that CETR measurements are formulated as follows:

$$\text{CETRit} : \frac{\text{income tax expense}}{\text{Profit before tax}}$$

The Independent Variable

Foreign Ownership

Foreign share ownership is defined as a company or share ownership owned by foreign nationals or foreign institutions investing in Indonesia. The foreign ownership structure has been regulated in the capital market law which is also explained in PSAK regulation No. 15 regarding the amount of influence owned by shareholders of 20 percent. According to Akbar, et al., (2022) the measurement of foreign share ownership can be measured using the following formula:

$$\text{FOit} = \frac{\text{Total Foreign shares}}{\text{Total Outstanding shares}} \text{ x } 100\%$$

Capital Intensity Ratio

Capital intensity ratio is a comparison of fixed assets with total company assets. Companies that have a high amount of fixed assets have a relatively low tax burden compared to companies that have low fixed assets. According to Sahara (2022), the measurement of Capital intensity ratio can be measured using the following formula:

$$\text{CIit} = \frac{\text{Total Fixed assets}}{\text{Total assets}}$$

Transfer Prices

Transfer Pricing is a transaction between parties who have a special relationship or relationship. According to Madjid and Akbar (2023), transfer pricing measurement can be measured using the following formula:

$$\text{TPit} = \frac{\text{Total preferential receivables}}{\text{Total receivables}} \text{ x } 100\%$$

Moderation Variable
Company size

If the company has large total assets, it will make it easier to assess the quality of the company's size because the larger the assets owned by the company, the easier it is for the company to get funds in the capital market. According to Ardini, et al., (2019) the size of the company can be measured using the following formula:

$$\text{CSit} = \text{Log (Total Assets)}$$

Results and Discussion

Partial Testing (T Test)

The T test is used to determine the effect partially or respectively of the variables free of foreign ownership (FOit), capital intensity (CIit), and transfer price (TPit) on variables bound to tax avoidance, and moderation variables, namely company size. The test is seen by looking at the probability value with the following criteria:

1. If the probability value < 0.05 then it is declared to have an effect, then H0 is rejected.
2. If the probability value > 0.05 then it is declared to have no effect, then H0 is accepted.

Table 1. Partial Testing (T test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.160102	0.052017	3.077887	0.0025
FOit	0.350969	0.034353	10.21665	0.0000
CIit	-0.104506	0.044776	-2.333987	0.0209
TPit	-0.115141	0.031309	-3.677514	0.0003
CSit	0.003073	0.001864	1.648427	0.1013

Source : output Eviews 12

The effect of the independent variable on the dependent variable can be seen in the table above obtained the results:

1. The test results on the FO variable obtained a calculated t value of 10.21665 > t table 1.654 and showed the probability value of FO was 0.0000 <0.05 so that H0 was rejected. This means that the independent variable, namely foreign ownership (FO), has a significant effect on the dependent variable, namely tax avoidance. Thus H1 which states that foreign ownership partially affects tax avoidance is accepted.
2. The test results on the CI variable obtained a calculated t value of -2.333987 > t table 1.654 and showed the probability value of CI was 0.0209 < 0.05 so that H0 was rejected, meaning that the independent variable, namely capital intensity (CI), had a significant effect on the dependent variable, namely tax avoidance. Thus, H2 which states that capital intensity partially affects tax avoidance is accepted.
3. The test results on the TP variable obtained a calculated t value of -3.677514 > t table 1.654 and showed the probability value of TP was 0.0003 < 0.05 so that H0 was rejected, meaning that the independent variable, namely the transfer price (TP), had a significant effect on the dependent variable, namely tax avoidance. Thus H3 which states that the transfer price partially affects tax avoidance is accepted.

Simultaneous testing (F Test)

The basis for decision making in this test is as follows:

1. Significant value indicates < 0.05, meaning that the independent variable has an effect on the dependent variable simultaneously.

2. Significant value indicates > 0.05, meaning that the independent variable has no effect on the dependent variable simultaneously.

Table 2. Simultaneous Testing (F test)

F-statistic	9.373802
Prob. (F-statistic)	0.000000

Source : output Eviews 12

Based on the table above shows an F-statistic value of 9.373802 with a probability (Prob F-Statistic) of 0.000000 < 0.05.

Determination Coefficient Test (R2)

Coefficient of Determination (R2) is a test that shows the influence of the independent variable on the dependent variable.

Tabel 3. Determination Coefficient Test R2

R-squared	0.682204
Adjusted R-squared	0.609426
S.E.of regression	0.098595
Sum squared resid	1.273454
Log likelihood	162.6469
F-statistic	9.373802
Prob. (F-statistic)	0.000000

Source: Output Eviews 12

Seen in the table above, it shows that the R2 value of 0.609426 or 60.9% which means the ability of the independent variables in this study, namely foreign ownership, capital intensity and transfer prices can explain the dependent variable, namely tax avoidance 60.9% while the remaining 39.1% is explained by other variables outside this research variable.

MRA Test (Moderating Regression Analysis)

The moderation variable has a role as a variable that can strengthen or weaken the relationship between the independent variable and the dependent variable.

Table 4. MRA Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.007464	0.071595	-0.104248	0.9171
FO	-0.357101	0.713259	-0.500662	0.6175
CI	0.258865	0.303248	0.853640	0.3949
TP	-0.183951	0.277856	-0.662037	0.5091
FO*CS	0.046715	0.033283	1.403583	0.1628
CI*CS	-0.001766	0.011435	-0.154423	0.8775
TP*CS	0.004095	0.010771	0.380213	0.7044

Source : output Eviews 12

In the results of the MRA model regression test in Table 4 above, it states that the moderator variable, namely company size, is not related to the dependent variable, namely tax avoidance. But it interacts with independent variables namely foreign ownership, capital intensity, and transfer price. Mathematically it can be written in terms of regression equations as follows:

CETRit = -0.007464 - 0.357101FO + 0.258865CI - 0.183951TP + 0.046715FO*CS -0.001766CI*CS + 0.004095TP*CS + e

Based on the above equation which shows that the moderator variable, namely company size, does not function as a dependent variable but interacts directly with independent variables, namely foreign ownership, capital intensity, and transfer prices. So in this study using the type of pure moderator.

The Effect of Foreign Ownership on Tax Avoidance

Based on the results of statistical testing it is known that a significant value of 0.0000 < 0.05 can be stated that foreign ownership partially affects tax avoidance. While the coefficient value of the variable foreign ownership proxied with foreign ownership divided by the number of shares shows a value of 0.350969, the result indicates that the variable foreign ownership has a positive or unidirectional direction which means that if the variable foreign ownership increases by one unit, it will increase tax avoidance by 0.350969 by assuming the variable independent remains. From the results of statistical testing, it shows that the results of foreign ownership have a positive effect on tax avoidance. Thus the statement of hypothesis 1 is accepted.

Foreign shareholding in a company will affect the company's policy regarding tax avoidance. This shows that the greater the portion of foreign ownership, the smaller the value of CETR. Tax avoidance is assessed by the amount of tax payment, the smaller the CETR value, which indicates an increase in tax avoidance. So that the greater the portion of foreign ownership in the company, the more it will avoid taxes. Because foreign shareholders who dominate an issuer will influence management in determining policies that will benefit them, such as corporate tax policies to pay taxes in accordance with applicable regulations. The results of this study are in line with research by Akbar, et al., (2022) revealed that foreign ownership affects Tax Avoidance. Likewise, research by Suranta, et al., (2020) obtained similar results that foreign ownership has a positive effect on tax avoidance.

The Effect of Capital Intensity on Tax Avoidance

Based on the results of statistical testing, it is known that a significant value of 0.0209 < 0.05 can be stated that capital intensity partially affects tax avoidance. While the value of the coefficient of the capital intensity variable proxied by the Capital Intencity Ratio (CIR) shows a value of -0.104506, the result indicates that the capital intensity variable has a negative or not unidirectional direction, which means that if the capital intensity variable increases by one unit, it will reduce the tax avoidance rate by
-0.104506 assuming the independent variable is fixed. From the results of statistical testing, it shows that the results of capital intensity negatively affect tax avoidance. Thus the statement of hypothesis 2 is rejected.

This means that the higher the intensity of fixed assets owned by a company, the higher the possibility that the company will avoid taxes by utilizing depreciation expenses that will affect tax payments. In accordance with the agency's theory that there is a difference in interests between the authorities (agents) and management where the authorities want maximum profit, management can take advantage of depreciation of fixed assets to reduce the company's tax burden. The results of this study are in line with research conducted by Aulia and Purwasih, (2022) found that Capital intensity negatively affects Tax Avoidance and the results of research conducted by Ardini, et al., (2019) and Prayoga, et al., (2019) are in line with the results of research that Capital Intensity negatively affects tax avoidance.

The Effect of Transfer Prices on Tax Avoidance

Based on the results of statistical testing, it is known that the significant value of 0.0003 < 0.05 can be stated that the transfer price partially affects tax avoidance. While the value of the coefficient of the transfer price variable which is proxied by the total related receivables divided by the total receivables, it shows a value of -0.115141 The result indicates that the transfer price variable has a negative or non-unidirectional direction, which means that if the transfer price variable increases by one unit, it will reduce the tax avoidance rate by -0.115141 by assuming the independent variable is fixed. From the results of statistical testing, it shows that the transfer price results have a negative effect on tax avoidance. Thus the statement of hypothesis 3 is rejected.

The value of receivables to related parties owned by the company will influence the company to carry out tax avoidance practices. This is because a multinational company in Indonesia will take advantage of loopholes in tax regulations, namely by transferring or transferring company profits to subsidiaries located in countries with lower tax rates to avoid taxes through unusual transactions that cause losses to the country where the company is located. Where the transfer price in a company causes the tax burden borne by the company to be low. That is, the greater the company does the transfer price will cause the tax burden to decrease. The results of this study are in line with research conducted by Sofian and Djohar, (2022) that transfer pricing

negatively affects tax avoidance. The same results show that transfer pricing has a negative effect on tax avoidance (Sari &; Kurniato, 2022).

The Effect of Company Size in Moderating the Effect of Foreign Ownership on Tax Avoidance

Based on the results of statistical testing it is known that the significant value is 0.1628. The significance value is greater than 5% (Sig.> 0.05), it is concluded that the variable of foreign ownership with company size as a moderating variable weakens the influence of foreign ownership on tax avoidance. Thus the statement of hypothesis 4 is rejected. This is because the larger the company, the more attention from the government to conduct hearings related to the obligation to pay taxes for a company. That is, the larger the company, the more likely it is to have good management to carry out all company operating activities and strive to comply with existing regulations, especially in tax payments. Therefore, foreign parties who are investors in the form of shares or company establishment will strengthen the performance of their managers to comply with applicable tax laws. The results of this study are in line with research conducted by Ardini, et al., (2019) and also by Aulia and Purwasih (2022) which suggests that the size of the company weakens the influence of foreign ownership on tax avoidance.

The Effect of Company Size in Moderating the Effect of Capital Intensity on Tax Avoidance

Based on the results of statistical testing, it is known that the significant value is 0.8775. The significance value is greater than 5% (sig. > 0.05), so it is concluded that the capital intensity variable with company size as a moderating variable weakens the capital intensity to tax avoidance. Thus the statement of hypothesis 5 is rejected. This is because large companies tend to have large operational activities so that companies need large fixed assets to be able to support large operational activities. Companies that have a lot of assets, the greater the depreciation that will be borne by the company which causes the more unprofitable the company. So it can be concluded that the size of the company is not able to strengthen companies with large fixed assets to carry out tax avoidance. The results of this study are in line with research conducted by Aulia and Purwasih (2022) and Ardini, et al., (2019) resulting in the size of the company weakening the capital intensity of tax avoidance. Similar research results also show that company size weakens the effect of capital intensity on tax avoidance (Marwa &; Wahyudi, 2018).

The Effect of Company Size in Moderating the Effect of Transfer Prices on Tax Avoidance

Based on the results of statistical testing, it is known that the significant value is 0.7044. The significance value is greater than 5% (Sig. > 0.05), it is concluded that the transfer price variable with company size as a moderating variable weakens the capital intensity to tax avoidance. Thus the statement of hypothesis 6 is rejected. Large companies tend to get strict staffing from the government to be subject to tax payments in accordance with applicable laws and regulations, so companies classified as large companies will tend not to do tax avoidance in order to avoid tax sanctions. The results of this study are in line with research conducted by Marwa & Wahyudi (2018) which shows that the size of the company weakens the transfer price against tax avoidance.

Conclusion

This study was conducted by the authors with the aim to determine and examine the effect of foreign ownership, capital intensity and transfer prices on tax avoidance with company size as a moderating variable in Industrial companies listed on the Indonesia Stock Exchange 2016-2021. Based on the results of the analysis and discussion of the research that has been described, the following conclusions can be drawn:

1. Foreign ownership has a positive effect on tax avoidance.
2. Capital intensity negatively affects tax avoidance.
3. Transfer prices negatively affect tax avoidance.
4. Company size weakens the influence of foreign ownership on tax avoidance.
5. Company size weakens the effect of capital intensity on tax avoidance.
6. Company size weakens the effect of transfer pricing on tax avoidance.

Research Limitations

The author realizes that the research that has been done is far from perfection, both regarding the content of chapters, writing and preparation. This is due to the shortcomings and limitations that researchers get in this study that can affect the results of the study, including:

1. (1) There are some companies that display the details of their company's share ownership, but for foreign shareholding, many companies do not have foreign shares and do not even display details. (2) Not many companies display related receivables on assets, making it difficult for researchers to calculate transfer prices. (3) The results of this study show that not all variables have a positive and significant effect, where there is a possibility of human error at the time of data tabulation.

Research Advice

Based on the conclusions and limitations of the research that has been submitted, the author will provide useful suggestions for future researchers, namely:

1. In future research, it is expected to examine companies in other sectors that have foreign shares and show more details of the company's foreign share ownership.
2. It is expected that further research will examine companies in other sectors that better show the receivables of the relationship owned by the company.
3. And for further research, it is hoped that it can be a consideration to add

Another independent variable and moderation variable that will affect the dependent variable is tax avoidance.

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