

## **Tax Avoidance Moderates the Relationship Between Foreign Ownership and *Intangible Assets* on *Transfer Pricing***

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### **Abstract**

*Transfer pricing is a company policy in determining the price of transactions for goods or services between companies or parties that have a special relationship. Transfer pricing in this research is measured using Related Party Transactions or Receivables from related parties in non-primary consumer goods sector companies listed on the Indonesia Stock Exchange 2017-2022. This research aims to empirically test the influence of foreign ownership and intangible assets on transfer pricing with tax avoidance as a moderating variable. This type of research is quantitative research using secondary data from the company's annual report for the 2017-2022 period. The sampling method used purposive sampling, so that a research sample of 17 companies was obtained. The research results show that the foreign ownership variable has a negative effect on transfer pricing, intangible assets have no effect on transfer pricing, tax avoidance moderates and strengthens the relationship between foreign ownership and transfer pricing and tax avoidance is unable to moderate the relationship between intangible assets and transfer pricing.*

**Keywords:** *Transfer Pricing, Foreign Ownership, Intangible Assets, Tax Avoidance.*

### **1. INTRODUCTION**

Transfer pricing results in decrease potential reception tax a country because company multinational shift obligation its taxation from a country that has rates tax tall to a country that has rates tax low [1]. Multinational companies often do fraud with do transfer pricing practices, namely with do displacement profit earned by the company affiliates located in other countries so that the total tax paid company become more low and the profit earned by the company the the more high. This is has cause loss for developing countries including Indonesia because tax is source state revenue [2].

There is a number of the case that indicates transfer pricing practices carried out by companies big in Indonesia, namely PT Indofood Sukses Makmur and PT Indofood CBP Sukses Makmur. In the research conducted [3], Transfer pricing carried out by PT Indofood Sukses Makmur and PT Indofood CBP Sukses Makmur is indicated Because profit PT Indofood Sukses Makmur is considered clean good , namely in the first quarter worth IDR 1.4 trillion but shares of PT Indofood CBP Sukses Makmur experienced decline sale shares . PT Indofood Sukses Makmur's net profit experienced an increase of 4% to Rp1.4 trillion . According to data from the Indonesia Stock Exchange, PT Indofood Sukses Makmur shares experienced decline drastic up to 6.67% to Rp5,600/ share and PT Indofood CBP Sukses Makmur shares fell up to 6.98% to IDR 8,325/ share . According to Head MNC Securities research Edwin Sebayang , events the besides existence transfer pricing indications can estimated Because the acquisition carried out by PT Indofood Sukses Makmur of Pinehill Corpora Limited shares which are relatively expensive, so that cause price declining stocks [3]. In fact regulation about transfer pricing in general general set up in Article 18 of Law No. 36 of 2008 concerning Income Tax precisely in verse 3 it is stated that Directorate The General Directorate of Taxes (DGT) has the authority For determine the magnitude income hit tax for must tax that has connection special with must tax other in accordance with fairness and custom effort that does not influenced by relationships special (arm's length principle) [4].

According to [5] stated that foreign ownership has an effect on *transfer pricing*, while research conducted by [6] states that foreign ownership does not have influence on *transfer pricing*. results study [7] which shows that *intangible assets* have significant influence with direction positive to decision company do *transfer pricing*. However compared to backwards with research conducted [8] explain that *intangible assets* no influential to *transfer pricing*. Research conducted [9] explain that *tax avoidance* as variable independent can influence *transfer pricing* as variable dependent. While research conducted by [10] state that role *tax avoidance* as variable independent No can influence decision *transfer pricing* as variable dependent [11]. Based on existence difference between results study previous (*research gap*) which shows connection Foreign Ownership, and *Intangible Assets* to *Transfer Pricing*. Updates on study this, namely do study influence *tax avoidance* as variable moderation that estimated can strengthen influence mechanism Ownership Foreign and *Intangible Assets* to practice *transfer pricing* and studies empirical latest according to Classification on the Indonesia Stock Exchange, namely sector Primary Consumers.

## 2. RESEARCH METHODS

Study This use three type variable (variable) dependent, variable independent and variable moderation). Variable dependent in study This is *Transfer Pricing*, variable independent in study This is policy Foreign Ownership and *Intangible Assets*, and to variable moderation is *Tax Avoidance*.

### 2.1 Variables Dependent Variable

Variables bound is the output variable, criteria, consequences. In Indonesian it is often called as a dependent variable [12]. Variable bound is influenced variables or which becomes as a result, because the existence of independent variables. In research this is the dependent variable is *Transfer Pricing*, *Transfer Pricing* in study This measured with use proxy ratio mark transaction party related (*Related Party Transaction*).

According to [13], *Related Party Transaction* (RPT) can counted use formula as following :

$$RPT = \frac{\text{Total Piutang Istimewa}}{\text{Total Piutang}}$$

*Related Party Transaction* / *Transaction Special Relationship* is one of the alternatives to be done For operate business in activity company. Potential For influence report finance company as evaluation performance company is transaction connection special thing to do.

### 2.2 Variables Free (*Independent Variable*)

[12] said Variables free often called as stimulus variables, predictors, *antecedents*. In Indonesian, it is often called as an independent variable. Variable free is variables that influence or which becomes because the changes or the emergence dependent variable (bound). In research This fvariable free that is Foreign Ownership and *Intangible Assets*.

### 2.3 Foreign Ownership

Structure ownership foreign defined as all form foreign investors who invest its capital in the territory of Indonesia [14]. In Law Number 2007 article 1 paragraph 3 is activity invest capital for do business in the territory of the Republic of Indonesia Indonesia carried out by foreign investors, both those using foreign capital fully or those who join together with domestic investment. According to [13] and [14] Foreign Ownership (KA) can counted use formula as following :

$$KA = \frac{\text{Kepemilikan Saham Asing}}{\text{Jumlah Saham yang Beredar}} \times 100\%$$

With existence foreign investment the so will arise ownership foreign.

### 2.4 *Intangible Assets*

According to Statement Standard Accountancy Finance (PSAK) 19, intangible assets are non-monetary assets that can identified without form physical. Calculation in study This referring to [15] namely *intangible assets* counted with amount asset No tangible shared with total assets. Example the measurement is as following :

$$IA = \frac{\text{Aset Tidak Berwujud}}{\text{Total Aset}}$$

### 2.5 Variables Moderation ( *Moderated Variable* )

Moderator variables, or what can also be called variable moderation , is connecting variables between variable free ( variable independent ) with variable bound ( variable dependent ). In research This variable moderation is *Tax Avoidance*. Research conducted by [16] explains *Tax Avoidance* through approach *Effective Tax Rate* (ETR) can be measured use formula :

$$ETR = \frac{\text{Beban Pajak}}{\text{Laba Sebelum Pajak}}$$

*Tax Avoidance* is Tax rates effective is comparison between real taxes paid by companies with profit commercial before tax [16]. With existence rates tax effective , then company will get description how in real terms business management tax company in press obligation tax company. As below This summary about Operational The variables to be used in study This :

Table 1. Summary Operational Variables

No	Variables	Indicator Measurement	Measurement Scale
1	<i>Transfer Pricing</i>	$RPT = \frac{\text{Total Piutang Istimewa}}{\text{Total Piutang}}$ ( Kusumasari , et al 2018)	Ratio
2	Foreign Ownership	$KA = \frac{\text{Kepemilikan Saham Asing}}{\text{Jumlah Saham yang Beredar}} \times 100\%$ ( Kusumasari , et al 2018)	Ratio
3	<i>Intangible Assets</i>	$IA = \frac{\text{Aset Tidak Berwujud}}{\text{Total Aset}}$ (Lestari and Hasymi 2022)	Ratio
4	<i>Tax Avoidance</i>	$ETR = \frac{\text{Beban Pajak}}{\text{Laba Sebelum Pajak}}$ ( Sa'diah & Afriyenti , 2021)	Ratio

### 3. RESULTS AND DISCUSSION

Research result This will discuss Exposure from research that has been conducted by researchers and has been processed the data using e-views 10. The results are as follows his research explained under This:

#### 3.1 Panel Data Regression Test

In panel data regression it has been determined using the *fixed effect* model, then formula in *fixed effect model* is as following:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4$$

Table 2. Panel Data Regression Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.263352	0.040894	6.439855	0.0000
KA	-0.109815	0.054938	-1.998895	0.0490
IA	1.637766	1.784848	0.917594	0.3616
TA	-0.560544	0.165490	-3.387179	0.0011
KA*IA	0.630054	0.208363	3.023830	0.0034
IA*TA	5.010978	4.286542	1.169002	0.2459

Source: E-Views Output 10, 2023

$$Y_{it} = 0.263352C_{it} - 0.109815X1_{it} + 1.637766X2_{it} - 0.560544Z_{it} + 0.630054X1Z + 5.010978X2Z + e_{it}$$

Equality panel data regression can explained as following :

1. Constants of 0.263352 means state that If variable independent still so variable dependent ( *transfer pricing* ) is of 0.263352.
2. Ownership value foreign or variable X1 is -0.109815. This is means that every increase as much as 1 unit so variable ownership foreign experience decline of -0.109815 with assumption that variable other than the regression model is still.
3. The value of *intangible assets* or variable X2 is 1.637766, This is means that every increase as much as 1 unit so variable *intangible assets* experience improvement of 1.637766 with assumption that variable other than the regression model is still.
4. *Tax Avoidance* Value or variable Z is -0.560544. This is means that every increase as much as 1 unit so variable *Tax Avoidance* experience decline of -0.560544 with assumption that variable other than the regression model is still.
5. Ownership value moderated foreign *tax avoidance* or variable X1Z is 0.630054. This is means that every increase as much as 1 unit so variable ownership moderated foreign *tax avoidance* experience increase of 0.630054 with assumption that variable other than the regression model is still.
6. Moderated value of *intangible assets tax avoidance* or variable X2Z is 5.010978, this is means that every increase as much as 1 unit so variable moderated *intangible assets tax avoidance* experience improvement of 5,010,978 with assumption that variable other than the regression model is still.

### 3.2 Hypothesis Testing

For know regression model determination sample in determine mark the actual can measured from its goodness of fit. Testing This can measured from coefficient determination ( $R^2$ ), simultaneous test ( f statistic test ), and partial test ( t statistic test ) [17].

#### 3.2.1 Coefficient Determination ( $R^2$ )

Coefficient Value Small determination ( $R^2$ ) means ability variables independent in explain variable dependent is very limited. However, if  $R^2$  value is almost approach One means variable independent can give all information needed For predict variation variable dependent . Here This is results from the Coefficient Test Determination ( $R^2$ ):

Table 3. Coefficient Test Determination ( $R^2$ )

R-squared	0.910705	Mean dependent var	0.186750
Adjusted R-squared	0.887265	S.D. dependent var	0.263494
S.E. of regression	0.088471	Akaike info criterion	-1.823859
Sum squared resid	0.626169	Schwarz criterion	-1.257688
Log likelihood	115.0168	Hannan-Quinn criter.	-1.594597
F-statistic	38.85269	Durbin-Watson stat	1.595918
Prob(F-statistic)	0.000000		

Sumber: Output E-Views 10, 2023

Coefficient test determination ( $R^2$ ) then can known Adjusted R-squared value of 0.887265 or 88%. From the results of the coefficient test determination ( $R^2$ ) above can interpreted that variable independent that is ownership foreign and *intangible assets* and variables moderation that is *tax avoidance*, ownership moderated foreign *tax avoidance*, and moderated *intangible assets tax avoidance* capable explain or capable to describe variable dependent that is *transfer pricing* by 88%. And 12 % is explained or described by other variables that are not entered in study This.

#### 3.2.2 Significance Test Simultaneous ( f Statistic Test)

Levels used is by 0.05 or 5%, if mark *probability* f <0.05 then can interpreted that variable independent in a way together influence variable dependent or on the contrary. Here F Statistic Test results below This:

Table 4. Statistical Test f

R-squared	0.910705	Mean dependent var	0.186750
Adjusted R-squared	0.887265	S.D. dependent var	0.263494
S.E. of regression	0.088471	Akaike info criterion	-1.823859
Sum squared resid	0.626169	Schwarz criterion	-1.257688
Log likelihood	115.0168	Hannan-Quinn criter.	-1.594597
F-statistic	38.85269	Durbin-Watson stat	1.595918
Prob(F-statistic)	0.000000		

Sumber: Output E-Views 10, 2023

Based on table on show that F-statistic value of 38.85269 with The F Statistic probability value of 0.000000 is significant more small from or ( $0.000000 < 0.05$ ). This result show that variable independent that is ownership foreign and *intangible assets* in a way together or simultaneous influence in a way significant on the dependent variable that is *transfer pricing*.

### 3.2.3 Significance Test Partial ( t -Statistic Test )

On testing hypothesis can it is said influential with see values in the table *probability*. Usually base testing results regression done with level trust by 95% with level its significance by 5% ( $\alpha=0.05$ ), Here results Significance Test Testing Partial ( t -statistic test ):

Table 5. Statistical Test t

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.263352	0.040894	6.439855	0.0000
KA	-0.109815	0.054938	-1.998895	0.0490
IA	1.637766	1.784848	0.917594	0.3616

Sumber: Output E-Views 10, 2023

Based on results from table on can known that equality first obtained t - value in regression show that influence variable independent in a way partial to variable dependent. The results of the regression test partial (t-test) can outlined as following :

#### 1. Foreign Ownership influential to *Transfer Pricing*

In the t-test for Foreign Ownership own mark *coefficient* of -0.109815 and the value *probability t-statistic* of 0.0490 or more small from mark significance 0.05 can interpreted that Foreign Ownership (KA) influential negative to *Transfer Pricing* (TP).

#### 2. *Intangible Assets* influential to *Transfer Pricing*

In the t-test for *Intangible Assets* own mark *coefficient* of 1.637766 and the value *probability t-statistic* of 0.3616 or more big from mark significance 0.05 can interpreted that *Intangible Assets* (IA) are not influential to *Transfer Pricing* (TP).

### 3.2.4 Moderated Regression Analysis (MRA) Test

*Moderated Regression Analysis* (MRA) in study This used For testing against the pure moderator that is done with make regression interaction , but moderator variable no functioning as variable independent [17]. *Moderated Regression Analysis* (MRA) is used For know whether variable *tax avoidance* can strengthen or weaken ownership foreign and *intangible assets* to *transfer pricing* and what is it *tax avoidance* influential to *transfer pricing*. Here is *Moderated Regression Analysis* test results :

Table 6. Moderated Regression Analysis Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.263352	0.040894	6.439855	0.0000
KA	-0.109815	0.054938	-1.998895	0.0490
IA	1.637766	1.784848	0.917594	0.3616
TA	-0.560544	0.165490	-3.387179	0.0011
KA*IA	0.630054	0.208363	3.023830	0.0034
IA*TA	5.010978	4.286542	1.169002	0.2459

Sumber: Output E-Views 10, 2023

Based on table on can concluded that :

#### *Tax Avoidance to Transfer Pricing*

In the t-test for Foreign Ownership own mark *coefficient* of -0.109815 and the value *probability t-statistic* of 0.0490<0.05 or more small from mark significance 0.05, can interpreted that Foreign Ownership (KA) influential negative to *Transfer Pricing* (TP).

#### *Tax Avoidance Moderating Connection Foreign Ownership to Transfer Pricing*

On Interaction between *Tax Avoidance* to Foreign Ownership with *Transfer Pricing* own mark *probability* of 0.0034<0.05 or more small from mark significance 0.05, can interpreted that *Tax Avoidance* capable to moderate connection Foreign Ownership with *Transfer Pricing*. *Coefficient* value variable Foreign Ownership at the time No There is variable moderation value is -0.109815 and after the MRA test the value is 0.630054 then can concluded that *Tax Avoidance* strengthen connection Foreign Ownership with *Transfer Pricing*.

#### *Tax Avoidance Moderating Connection Intangible Assets to Transfer Pricing*

On Interaction between *Tax Avoidance* to *Intangible Assets* have mark *probability* of 0.2459>0.05 or more big from mark significance 0.05, can interpreted that *Tax Avoidance* No capable to moderate connection *Intangible Assets* with *Transfer Pricing*.

## 4. CONCLUSION

Based on results testing hypothesis that has been conducted, research This own conclusion that Foreign Ownership and *Intangible Assets* influential together to *Transfer Pricing* in a way simultaneous. Foreign Ownership matters to *Transfer Pricing* in a way partial. *Intangible Assets* No influential to *Transfer Pricing* in a way partial. *Tax Avoidance* is able to moderate and strengthen connection between Foreign Ownership with *Transfer Pricing*. *Tax Avoidance* No capable to moderate connection between *Intangible Assets* with *Transfer Pricing*, can interpreted that *Tax Avoidance* No capable to moderate connection *Intangible Assets* with *Transfer Pricing*.

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