

THE EFFECTS OF TRANSFER PRICING, THIN CAPITALIZATION, FIRM SIZE, AND TAX HAVEN COUNTRY UTILIZATION ON TAX AGGRESIVENESS

Chamdun Mahmudi¹, Khayatun Nufus², Safira Gerbiani Said³

STIE Bumi Putera, Universitas¹

Islam Negeri Syarif Hidayatullah Jakarta^{2,3}

Email: chamdunbanyumas70@gmail.com¹; nufus@uinjkt.ac.id²; safiragerbiani04@gmail.com³

Abstract: This research aims to examine the effects of transfer pricing, thin capitalization, firm size, and tax haven country utilization on tax aggressiveness. This study uses manufacturing sector companies listed on Indonesia Stock Exchange (IDX) during 2017 – 2021 period. The total of samples used were 21 manufacturing sector companies for 5 years. This study used multiple linear regression analysis with the assistance of SPSS 25. The results of this research indicated that transfer pricing, thin capitalization, and tax haven country utilization have no effect on tax aggressiveness. While, firm size has positive and significant effect on tax aggressiveness. This research have an implication for related parties, especially the Directorate General of Taxes of the Republic of Indonesia and taxpayers in minimizing tax aggressiveness

Keywords: *Aggressiveness, Transfer Pricing, Capitalization, Firm, Haven, Tax*

Submitted: 2023-06-13; Revised: 2023-06-16; Accepted: 2023-06-23

1. Introduction

Tax is a mandatory contribution to the state owed by individuals or entities that are compelling based on the Law, with no direct reward and used for state purposes for the greatest prosperity of the people (Undang – Undang Republik Indonesia No. 28, 2007). Due to its mandatory and compelling nature, individuals and entities as tax subjects must be obedient in contributing to paying their taxes in accordance with applicable laws and regulations for the purpose of achieving common prosperity. However, there are loopholes in the laws and regulations made by the government that are utilized by companies. As two different entities, the government and the company have different interests, this is the cause of non-compliance in the world of taxation (Herlinda & Rahmawati, 2021).

In 2021, the number of tax revenue realization is able to penetrate 100%, but in the span of 2016 - 2020 tax revenue has always been unable to reach the predetermined target. In 2016, the tax ratio only reached 10.37%, then fell to 9.89% in 2017, increased again to 10.24% in 2018, and declined further to 9.76% in 2019 and 8.33% in 2020. In fact, the Ministry of Finance has targeted 13% in the tax ratio since 2016 and increased by 1% each year. In line with the data revealed from the tax amnesty, where in 2016 the amount of tax that entered the state treasury reached Rp3,460.80 trillion and Rp4,888.26 trillion in 2017. Furthermore, in 2020, Indonesia also experienced losses totaling \$4,864,783,876 or Rp68.8 trillion (exchange rate 22/11/2020). This loss is an accumulation of losses due to tax avoidance by corporations of

\$4,785,952,836 or IDR67.7 trillion and losses due to tax evasion of \$78,831,039 or IDR1.1 trillion. (Tax Justice Network, 2020).

The above conditions indicate that taxpayers in those years deliberately avoid paying taxes by engaging in tax aggressiveness through tax avoidance and tax evasion mechanisms (Novriyanti & Dalam, 2020). Tax aggressiveness is a tax planning effort carried out by companies in reducing their taxable income legally (tax avoidance) or illegally (tax evasion) (Frank et al., 2009). In addition, Hlaing (2012) defines tax aggressiveness as tax planning carried out by all companies involved in trying to reduce taxes to an effective level. This effort is made by the company by utilizing the gray area of the tax law regulations. Gray area is a term used for this weakness, where there is a gap between the practice of tax calculation and tax planning carried out by companies that are in accordance with applicable regulations and violate these rules (Utami et al., 2020). The more and more complex the efforts made by the company in avoiding the taxes charged by utilizing the gray area, it can be said that the company is very aggressive towards taxes.

There are several examples of tax aggressiveness cases carried out by companies in Indonesia, such as the case of PT RNI. PT RNI conducts tax avoidance mode by incorporating debt into the company's capital which will reduce the tax burden they bear. In addition, PT RNI also utilizes PP 46/2013 concerning Special Income Tax for MSMEs, even though the capital invested in PT RNI comes from abroad, which is also a problem in terms of corporate ethics (Kompas.com, 2016). The case of tax evasion has also been experienced by the Wilmar Group. Wilmar Group committed tax evasion related to tax restitution for two of its companies, namely PT Wilmar Nabati Indonesia and PT Multimas Nabati Asahan amounting to Rp7.2 trillion (Merdeka.com, 2014).

Taxpayer efforts in carrying out tax aggressiveness are influenced by various intentions/conditions that make it possible for them to carry out certain schemes, such as transfer pricing, thin capitalization, and the use of tax haven countries. In accordance with the theory of planned behavior, individuals will see how the impact they will get on the behavior they will do. In other words, if the behavior they will do is felt to bring greater benefits or advantages, an intention in them will arise. Vice versa, if the behavior they will do is felt to bring greater losses, the intention to do this action will decrease (Nurwanah, 2018). In addition, the size of a company is also one of the factors that determine whether the company commits tax aggressiveness.

Transfer pricing practice is closely related to agency theory. With the assumption that every human being will tend to be selfish, the management in a company will always strive to achieve maximum profit. The profit maximization efforts made by the management will have an effect on the suppression of costs incurred by the company, one of which is tax. The simple mechanism of transfer pricing is done by doing profit shifting through transactions between related parties or those who have a special relationship (which is usually done by doing mark-up on the price of goods) so that the tax charged by the company becomes lower.

Thin Capitalization is one method of tax avoidance by utilizing debt investment. This practice is an implementation of the capital structure theory, especially the Modigliani-Miller theory with taxes. The utilization of a more dominant proportion of debt to capital will give rise to a burden in the form of interest which is utilized by managers in reducing the taxes to be paid by the company. Rego (2003) in Falbo (2018) also states that if the debt owned by the company is at a high level, it will have an impact on low ETR due to the interest expense which acts as one of the tax deductible factors.

In the context of taxation, company size affects the company's productivity in earning profits, where the more profit earned, the greater the tax that must be paid by the company. In addition, the size of the company will also affect the composition of the company's funding. This is because with high sales, companies tend to be bolder in making large loans (Puspita & Febrianti, 2017). The high loan that incurs interest expense will affect the amount of tax payable.

One of the acts of aggressiveness towards taxes that is sometimes carried out by taxpayers, especially corporate taxpayers, is by using countries with low tax rates as locations for shell companies as a place for affiliated companies to put their profits so that the tax burden they pay becomes less. The statement is also supported by several previous cases such as the Panama papers which revealed there were 1,038 names of Indonesian taxpayers consisting of 28 corporate taxpayers and 1,010 individual taxpayers. In addition, there are findings in Singapore, which is one of the tax haven countries, which reveals that Indonesians hold ownership of private banking assets with an estimated US\$200 billion, which is equal to 40% of the total private banking assets in Singapore.

This research is a modification of research conducted by Christina and Dahlia (2019). In this study, the independent variables of transfer pricing, thin capitalization, firm size and tax haven country utilization are used. Whereas in previous studies using independent variables of foreign interests, international activities, and thin capitalization. The reason behind the addition of these independent variables is because there are still many inconsistencies related to the results obtained from previous studies. The unit of analysis used in this study is manufacturing companies in all sectors listed on the IDX in 2017-2021. Meanwhile, the previous unit of analysis used the unit of all companies listed on the IDX. The change in the unit of analysis was carried out with the aim that the scope of the research to be carried out was not too broad, the selection of the type of manufacturing company was taken as the unit of analysis also because the manufacturing sector contributed 20% to the national gross domestic product. This is what makes the manufacturing sector one of the leading sectors and is considered quite crucial (Kementerian Perindustrian RI, 2019). In addition, the fluctuating tax ratio which shows a downward trend is also one of the reasons why the research period is carried out in the range of 2017 – 2021

Based on this background, the problem formulation can be formulated as follows: (1) What is the effect of transfer pricing on tax aggressiveness? (2) What is the effect of thin capitalization on tax aggressiveness? (3) What is the effect of firm size on tax aggressiveness? (4) What is the effect of tax haven country utilization on tax aggressiveness? (5) What is the effect of transfer pricing, thin capitalization, firm size, and tax haven country utilization together on tax aggressiveness. The objectives of this study are (1) to examine the effect of transfer pricing on tax aggressiveness; (2) to examine the effect of thin capitalization on tax aggressiveness; (3) to examine the effect of firm size on tax aggressiveness; (4) to examine the effect of tax haven country utilization on tax aggressiveness; (5) to examine the effect of transfer pricing, thin capitalization, firm size, and tax haven country utilization together on tax aggressiveness.

The description of the background, problem formulation, and research objectives above produces the following hypothesis:

- H₁ : Transfer Pricing has a positive effect on Tax Aggressiveness
- H₂ : Thin Capitalization has a positive effect on Tax Aggressiveness
- H₃ : Firm Size has a positive effect on Tax Aggressiveness
- H₄ : Tax Haven Country Utilization has a positive effect on Tax Aggressiveness

H₅ : Transfer Pricing, Thin Capitalization, Firm Size, and Tax Haven Country Utilization together affect Tax Aggressiveness.

2. Research Method

This study aims to prove the influence between the independent variables on the dependent variable. In this study, the independent variables to be tested consist of transfer pricing, thin capitalization, firm size, and tax haven country utilization on the dependent variable, namely tax aggressiveness.

The unit of analysis of this research is manufacturing companies listed on the Indonesia Stock Exchange. The type of data used is secondary data, namely in the form of financial statements and annual reports of manufacturing companies in all sectors published in the 2017-2021 period. Therefore, the research setting is carried out on the official website of the Indonesia Stock Exchange (www.idx.co.id) and the website of each listed company. The sample used is manufacturing companies in all sectors listed on the Indonesia Stock Exchange in 2017-2021, totaling 21 companies with a total sample size of 105 financial statements.

This study uses purposive sampling method in determining the sample to be used. This method was chosen because this method is relevant to be used in the design of this study. The criteria for selecting samples are (1) Manufacturing companies listed on the IDX in 2017 - 2021; (2) Manufacturing companies whose financial statements use rupiah currency during 2017 - 2021; (3) Manufacturing companies that consistently present annual reports and audited annual financial statements; (4) Manufacturing companies that get positive profit balances during 2017 - 2021; (5) Manufacturing companies that have complete data related to the variables to be studied. This study uses multiple linear regression analysis methods, with testing using SPSS 25 tools which include descriptive statistical tests, classical assumption tests (normality tests, heteroscedasticity tests, multicollinearity tests, and autocorrelation tests), coefficient of determination tests, T tests and F tests.

The regression equation formula used is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Description:

Y	: Tax Aggressiveness	X ₂	: Thin Capitalization
α	: Intercept or constant	X ₃	: Firm Size
β	: Regression coefficient	X ₄	: Tax Haven Country Utilization
X ₁	: Transfer Pricing	e	: Error

In measuring the tax aggressiveness variable, this study uses the CETR proxy. The choice of CETR as a proxy is intended on the grounds that CETR can show tax aggressiveness activities more broadly, including in terms of income transfers made from countries with high tax rates to countries with low tax rates (Mustika et al., 2018). For the transfer pricing variable, the proxy is measured using TP REC by dividing the accounts receivable of related parties by total assets. Furthermore, to determine whether a company practices thin capitalization, research uses the MAD Ratio as a measuring tool. Firm size is measured by the natural logarithm of total assets owned by the company at the end of the year in rupiah currency units and tax haven country utilization is measured using dummy variables by giving a score of 1 for companies that have

one or more subsidiaries located in tax haven countries and a score of 0 for companies that do not have subsidiaries located in tax haven countries at all.

3. Results and Discussion

3.1. Results

Descriptive statistical testing is carried out to see a detailed description of the test data in the form of average (mean), lowest value (minimum), largest value (maximum), standard deviation, data range, and so on. The results of the analysis of these tests can be seen in the table below:

Table 1. Descriptive Statistical Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Transfer Pricing	105	,00000	,18911	,0212287	,03272902
Thin Capitalization	105	,00313	,39044	,0711162	,05575741
Firm Size	105	13,11976	19,00488	15,5525107	1,53903391
Tax Haven Country Utilization	105	0	1	,43	,497
Agresivitas Pajak	105	,00000	,47119	,2208593	,11582634
Valid N (listwise)	105				

Based on table 1, the data shows that from the total sample (n) of 105, the transfer pricing variable has a minimum value of 0.000 obtained from PT Indo Acidatama and a maximum value of 0.18911 from PT Impack Pratama Industri. In addition, the transfer pricing variable has an average (mean) of 0.212287 with a standard deviation of 0.327902.

The thin capitalization variable has a minimum value of 0.00313 obtained from PT Semen Baturaja and a maximum value of 0.39044 from PT Nippon Indosari Corpindo. In addition, the thin capitalization variable has an average (mean) of 0.0711162 with a standard deviation of 0.005575741.

The firm size variable has a minimum value of 13.11976 obtained from PT Alkindo Naratama and a maximum value of 19.00488 from PT Indofood Sukses Makmur. In addition, the firm size variable has an average (mean) of 15.5525107 with a standard deviation of 1.53903391.

The tax aggressiveness variable has a minimum value of 0.000 obtained from PT Indah Kiat Pulp & Paper and PT Tjiwi Kimia Paper Mill and a maximum value of 0.47119 from PT Japfa Comfeed Indonesia. In addition, the tax aggressiveness variable has an average (mean) of 0.2208593 with a standard deviation of 0.11582634.

Table 2. Frequency of Tax Haven Country Utilization Variable

Tax Haven Country Utilization					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Tidak Memiliki Subsidiary di Negara Tax Haven	60	3,6	57,1	57,1
	Memiliki Subsidiary di Negara Tax Haven	45	23,7	42,9	100,0
	Total	105	55,3	100,0	
Missing	System	85	44,7		
Total		190	100,0		

Based on table 2, it is obtained that from the total sample (n) of 105, there are 9 companies (with a total time of 5 years) that have subsidiaries in tax haven countries (proxied by the number 1) and the remaining 12 companies that do not have subsidiaries in tax haven countries (proxied by the number 0).

In addition to descriptive statistical analysis, this study also needs to use a classic assumption test consisting of normality test, heteroscedasticity test, multicollinearity test, and autocorrelation test. In this study, the normality test was carried out using the Kolmogorov-Smirnov test technique.

Table 3. Normality test using Kolmogorov-Smirnov is normally distributed

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		105
Normal Parameters	Mean	,0000000
	Std. Deviation	,11253732
Most Extreme Differences	Absolute	,062
	Positive	,048
	Negative	-,062
Test Statistic		,062
Asymp. Sig. (2-tailed)		,200

In table 3, Kolmogorov-Smirnov which is determined by the asymp. Sig (2-tailed) of 0.200 which is interpreted that the data is normally distributed because it exceeds the value of 0.05. Furthermore, heteroscedasticity testing is carried out to test for differences between variance and residuals from one observation to another. In this study, the Park test technique was used as a determination of the presence of heteroscedasticity in this study.

Table 4. Heteroscedasticity Test using Park Test

Coefficients					
Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1 (Constant) Transfer Pricing	-2,989	3,003		-,995	,322
	4,880	7,815	,063	,624	,534

Thin Capitalization	5,837	4,765	,128	1,225	,223
Firm Size	-,219	,206	-,132	-	,291
Tax Haven Country Utilization	,357	,641	,070	,557	,579

a. Dependent Variable: LN_RES

In table 4, the Park test is determined by the significance value (sig.) of the transfer pricing variable of 0.534, thin capitalization of 0.223, firm size of 0.291, and tax haven country utilization of 0.579. Signaling that each variable has a significance value of more than 0.05, which means heteroscedasticity does not occur in this study.

Testing for multicollinearity is done to see if there is a correlation between each independent variable.

Table 5. Multicollinearity Test

Coefficients							
Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Tolerance	Statistic VIF
1 (Constant)	-0,62	,135		-,463	,645		
Transfer Pricing	,138	,351	,039	,392	,696	,961	1,041
Thin Capitalization	-,338	,214	-,163	-1,580	,117	,891	1,123
Firm Size	,021	,009	,272	2,215	,029	,624	1,603
Tax Haven Country Utilization	-,034	,029	-,146	-1,183	,240	,620	1,614

a. Dependent Variable: Agresivitas Pajak

Referring to table 5, the transfer pricing variable proxied by TP gets a VIF value of 1.041 and a tolerance value of 0.961. The thin capitalization variable proxied by TC gets a VIF value of 1.123 and a tolerance value of 0.891. The firm size variable proxied by FS gets a VIF value of 1.603 and a tolerance value of 0.624. And finally, the tax haven country utilization variable proxied by THC gets a VIF value of 1.614 and a tolerance value of 0.620. From these data it can be concluded that all variables have a VIF value > 10 and a tolerance value of <0.01. This indicates that there is no multicollinearity in this study.

Autocorrelation testing is done to detect the relationship between variables in the regression model with changes over time.

Table 6. Autocorrelation test using Durbin-Watson

Durbin-Watson
1,674

In table 6. it can be seen that the durbin-watson (dW) value is 1.674. Furthermore, because the independent variables in this study are 4, then with $k = 4$ the dU value is 1.6237. Therefore, $4-dU$ is 2.2362. From the calculation results, the data obtained is $1.6237 < 1.674 < 2.2362$ which means $dU < dW < 4-dU$ indicating that autocorrelation does not occur. After the classical assumption test is carried out, hypothesis testing is carried out including multiple linear regression analysis, coefficient of determination test, T test, and F test.

Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1 (Constant)	-0,62	,135		-,463	,645
Transfer Pricing	,138	,351	,039	,392	,696
Thin Capitalization	-,338	,214	-,163	-1,580	,117
Firm Size	,021	,009	,272	2,215	,029
Tax Haven Country Utilization	-,034	,029	-,146	-1,183	,240

a. Dependent Variable: Agresivitas Pajak

From the results of data processing using SPSS 25 software in table 7, the regression equation is obtained as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

$$AP = -0,062 + 0,138TP - 0,338TC + 0,021FS - 0,034THC + e$$

The regression equation can be interpreted that Constant (α) of -0.062 states that if the independent variables (transfer pricing, thin capitalization, firm size, and tax haven country utilization) are considered constant, then tax aggressiveness proxied by CETR is -0.062. The TP regression coefficient of 0.138 states that every increase in TP by 1, the tax aggressiveness increases by 0.138. Furthermore, the TC regression coefficient of -0.338 states that every increase in TC by 1, the tax aggressiveness decreases by 0.338. Furthermore, the FS regression coefficient of 0.021 states that every increase in FS by 1, the tax aggressiveness increases by 0.021. Meanwhile, the THC regression coefficient of -0.034 states that companies that have subsidiaries in tax haven countries are 0.034 times lower in tax aggressiveness compared to companies that do not have subsidiaries in tax haven countries.

The coefficient of determination test conducted in this study was conducted to see the magnitude of the influence of the transfer pricing variable, thin capitalization, firm size, and tax haven country utilization on the tax aggressiveness variable.

Table 8. Determination Coefficient Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,393 ^a	,155	,106	,10446

a. Predictors: (Constant), Tax Haven Country Utilization, Transfer Pricing, Thin Capitalization, Firm Size

Based on table 8, it is found that the Adjusted R Square (R^2) value is 0.106. This shows that the independent variable is able to influence or explain the dependent variable by 10.6%, of which the remaining 89.4% is influenced by other variables not explained in this study.

The F Statistical Test in this study was conducted to determine whether the independent variables consisting of transfer pricing, thin capitalization, firm size, and tax haven country utilization can simultaneously affect the dependent variable, namely tax aggressiveness.

Table 9. F Statistical Test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,078	4	,020	1,483	,213 ^b
	Residual	1,317	100	,013		
	Total	1,395	104			

a. Dependent Variable: Agresivitas Pajak

b. Predictors: (Constant), Tax Haven Country Utilization, Thin Capitalization, Transfer Pricing, Firm Size

From the F test results shown in table 4.11, the F value is 1.483 and the significance (sig.) is 0.213. Since the significance value (sig.) shows a value > 0.05, it can be concluded that transfer pricing, thin capitalization, firm size, and tax haven country utilization simultaneously have no effect on tax aggressiveness.

The T Statistical Test in this study was conducted to test the amount of influence of independent variables consisting of transfer pricing, thin capitalization, firm size, and tax haven country utilization partially on the dependent variable, namely tax aggressiveness. Based on table 7. the results show that the Transfer Pricing variable has a T value of 0.392 and a significance value (sig.) of 0.696, this result indicates that the transfer pricing variable has no effect on tax aggressiveness. Furthermore, the Thin Capitalization variable has a T value of -1.580 and a significance value (sig.) of 0.117, these results indicate that the thin capitalization variable has no effect on tax aggressiveness.

Furthermore, the Firm Size variable has a T value of 2.215 and a significance value (sig.) of 0.029, these results indicate that the firm size variable has a significant positive effect on tax aggressiveness. Finally, the Tax Haven Country Utilization variable has a T value of -1.183 and a significance value (sig.) of 0.240, these results indicate that the tax haven country utilization variable has no effect on tax aggressiveness.

3.2. Discussion

Effect of Transfer Pricing on Tax Aggressiveness

Based on the T test results in table 7, it is found that t count is 0.392. Furthermore, with a total of 105 observations and a probability value of 5%, the t table is 1.983. This shows that t count (0.392) < t table (1.983). In addition, the significance value (sig.) also shows a number 0.696 which is greater than 0.05. It can be concluded that H₀ is accepted and H₁ is rejected, namely the transfer pricing variable has no effect on tax aggressiveness.

The results of this study are not in line with research conducted by Utami & Irawan (2022) which states that transfer pricing aggressiveness has a positive and significant effect on tax avoidance. However, it is in line with research conducted by Utami (2020) which states that

transfer pricing has no effect on tax aggressiveness. This can be caused by several factors, the effectiveness of the Director General of Taxes Regulation No. PER-43/PJ/2010 concerning the application of the principles of reasonableness and business prevalence in transactions between taxpayers and related parties or parties that have special relationships. In addition, the Minister of Finance Regulation (PMK) No. 213/PMK.03/2016 effective in 2017 which regulates the obligation of taxpayers (especially corporations) to jointly submit transfer pricing documents along with the Annual Corporate Income Tax Return has also been running properly. This regulation is actually made so that parties conducting transactions with related parties are still within the scope of the arm's length principle so that the company's efforts to avoid taxes through transfer pricing schemes are getting smaller (Fadillah & Lingga, 2021). The description above shows that the planned behavior theory applies, the strict regulations regarding the arm's length principle can be assumed as one of the factors that make companies have no intention of carrying out tax aggressiveness mechanisms through transfer pricing schemes.

In addition, research conducted by Falbo (2018) states that transfer pricing carried out by companies engaged in the manufacturing sector, especially in Indonesia, is more focused on performance evaluation purposes in increasing return on investment than for tax avoidance purposes.

Effect of Thin Capitalization on Tax Aggressiveness

Based on the T test results in table 7, it is found that t count is -1.580. Furthermore, with a total of 105 observations and a probability value of 5%, the t table is 1.983. This shows that -t count (-1.580) > -t table (-1.983). In addition, the significance value (sig.) also shows a number 0.117 which is greater than 0.05. It can be concluded that H0 is accepted and H2 is rejected, so that the thin capitalization variable has no effect on tax aggressiveness.

The results of this study are not in line with research conducted by Suntari & Mulyani (2020) which states that thin capitalization has a positive and significant effect on tax aggressiveness. However, it is in line with research conducted by Christina & Dahlia (2019) which states that thin capitalization has no effect on tax aggressiveness.

The results which state that thin capitalization has no effect on tax aggressiveness indicate that the Modigliani-Miller theory with taxes is not proven in this study. The use of debt as the main source of funding has a potential impact on the difficulty of the company to cover its obligations due to accumulated liabilities, this then refers to a condition where the company is experiencing financial distress (Roza, Guritno, & Aswar, 2020). This is also reinforced by Nainggolan & Sari (2020) in Hutomo (2021: 142) which states that there are still many companies that prefer to use shares as their main funding which is evident in table 1 where the maximum value of thin capitalization is 0.39044 (39%) from PT Nippon Indosari Corpindo which indicates that the level of funding to debt is still far below 80%.

Effect of Firm Size on Tax Aggressiveness

Based on the T test results in table 7, it is found that t count is 2.215. Furthermore, with a total of 105 observations and a probability value of 5%, the t table is 1.983. This shows that t count (2.215) > t table (1.983). In addition, the significance value (sig.) also shows the number 0.029 which is greater than 0.05. It can be concluded that H0 is rejected and H3 is accepted, so that the firm size variable has an effect on tax aggressiveness.

The results of this study are not in line with research conducted by Hadi (2020) which states that entity size has no effect on tax aggressiveness. However, it is in line with research

conducted by Annisa (2018) which states that firm size has a positive effect on tax aggressiveness.

The indication from table T shows that the greater the size of the company, the greater the cash paid for taxes by the company proxied by CETR. This illustrates a condition that acts of tax aggressiveness committed by large companies tend to be minimal. The lack of tax aggressiveness by large-scale companies can be analyzed as a form of compliance as a result of its existence which is the main spotlight of the authorities in maintaining its reputation or good name in the eyes of the public (Putri & Putra, 2017). This also shows that the planned behavior theory applies because the company's intention to pay taxes arises as a result of the positive impact generated in the form of avoiding sanctions and a good reputation in the eyes of the government and society considering that the companies in question here are large-scale companies.

Effect of Tax Haven Country Utilization on Tax Aggressiveness

Based on the T test results in table 7, it is found that t count is -1.183. Furthermore, with a total of 105 observations and a probability value of 5%, the t table is 1.983. This shows that -t count (-1.183) > -t table (-1.983). In addition, the significance value (sig.) also shows a number 0.240 which is greater than 0.05. It can be concluded that H0 is accepted and H4 is rejected, so that the tax haven country utilization variable has no effect on tax aggressiveness.

The results of this study are not in line with research conducted by Ayuningtyas & Pratiwi (2022) which states that tax haven country utilization has a significant effect on tax avoidance decision making. However, it is in line with research conducted by Septiani & Winata (2022) which states that tax haven country utilization has no effect on tax aggressiveness.

The results that show no effect of using tax haven countries as a tool of tax aggressiveness indicate that UU No. 9 of 2017 governing Access to Financial Information for Tax Purposes which is further regulated in PMK No. 19/PMK.03/2018 concerning automatic exchange of information or AEOI (Automatic Exchange of Financial Account Information) can run optimally. The AEOI mechanism that seeks to collect data on the financial assets of Indonesian taxpayers in tax haven countries can certainly be a tool for authorities such as the Directorate General of Taxes in conducting surveillance and extracting taxation potential (Ispriyarso, 2020). This will certainly cause the tax avoidance mechanism by utilizing the use of tax haven countries to become increasingly difficult. In accordance with the theory of planned behavior, the difficulty of access in carrying out tax avoidance mechanisms through tax haven country utilization schemes can be assumed to be one of the factors why companies do not have the intention to do so.

Effect of Transfer Pricing, Thin Capitalization, Firm Size, and Tax Haven Country Utilization together on Tax Aggressiveness

Based on the F test results in table 9, it is found that the F count is 1.483. Furthermore, with a total of 105 observations and a probability value of 5%, the F table is 2.4626. This shows that F count (1.483) < F table (2.4626). In addition, the significance value (sig.) also shows the number 0.213 which is greater than 0.05. It can be concluded that H0 is accepted and H5 is rejected, so that the Transfer Pricing, Thin Capitalization, Firm Size, and Tax Haven Country Utilization variables simultaneously have no effect on tax aggressiveness.

Based on the previous descriptions, it can be seen that the effective role of PMK No. 213/PMK.03/2016 is able to reduce the action of tax aggressiveness through transfer pricing schemes. In addition, the use of debt as the company's main liabilities which is considered to

have an impact that is too risky for the company makes the thin capitalization scheme less attractive, especially by manufacturing companies listed on the IDX in 2017-2021. Furthermore, although firm size has a positive influence, the positive influence leads to the CETR proxy which is considered that the larger the company, the greater the cash paid for its tax obligations. Finally, the use of Automatic Exchange of Financial Account Information is in fact also able to become a stumbling block for tax evaders in carrying out tax aggressiveness practices so that the use of tax haven countries as the main means of tax avoidance is not an option.

4. Conclusion

Based on the test results that have been carried out, it is concluded that transfer pricing has no effect on tax aggressiveness, thin capitalization has no effect on tax aggressiveness, firm size has a positive and significant effect on tax aggressiveness, tax haven country utilization has no effect on tax aggressiveness and transfer pricing variables, thin capitalization, firm size, and tax haven country utilization simultaneously have no effect on tax aggressiveness variables.

In addition to the conclusions that have been presented, this study also has several implications, including: (1) This research is able to describe the phenomenon of tax aggressiveness widely and is able to prove that tax avoidance schemes such as transfer pricing, thin capitalization, and tax haven country utilization have no effect on tax aggressiveness; (2) This research is able to become data or input for authorities such as the DGT in addressing issues related to tax aggressiveness; (3) This research can be a consideration for taxpayers in minimizing tax avoidance; (4) This research can be an additional reference for future researchers in examining variables related to tax compliance, especially in the scope of tax aggressiveness.

In addition to the implications, this study also has several limitations, including: (1) This research is only limited to the use of transfer pricing, thin capitalization, firm size, and tax haven country utilization variables. However, if explored further, there are still many variables that have the potential to influence tax aggressiveness; (2) This research is only limited to the use of manufacturing companies as the unit of analysis. In addition, this research period is also only limited to the time span of 2017-2021.

References

- Annisa, Y., Endang, M., & Rosa, N. (2018). Dimensi Agresivitas Pajak Dilihat Dari Firm Size, Likuiditas, Profitabilitas Dan Inventory Intensity. *JAE: Jurnal Akuntansi dan Ekonomi*.
- Ayuningtyas, F., & Pratiwi, A. (2022). Pengambilan Keputusan Penghindaran Pajak Pada Perusahaan Multinasional Berdasarkan Multinasionalism, Pemanfaatan Tax Haven Dan Thin Capitalization. *Jurnal Ilmiah Mahasiswa Ekonomi Akuntansi (JIMEKA)*.
- Christina, N., & Dahlia, S. (2019). Kepentingan Asing, Aktivitas Internasional, Dan Thin Capitalization: Pengaruh Terhadap Agresivitas Pajak Di Indonesia. *Jurnal Akuntansi dan Bisnis*, 147-159.
- Fadillah, A., & Lingga, I. (2021). Pengaruh Transfer Pricing, Koneksi Politik dan Likuiditas Terhadap Agresivitas Pajak (Survey Terhadap Perusahaan Pertambangan yang Terdaftar di BEI Tahun 2016-2019). *Jurnal Akuntansi*, 332-343.
- Falbo, D., & Firmansyah, A. (2018). Thin Capitalization, Transfer Pricing Aggressiveness, Penghindaran Pajak. *Indonesian Journal of Accounting and Governance (Vol 2, Issue 1)*.

- Hadi, C., Catherine, S., Henryanto, W., & Susanto, S. (2020). Pengaruh Likuiditas, Leverage, Intensitas Modal, Dan Ukuran Perusahaan Terhadap Agresivitas Pajak. *STATERA: Jurnal Akuntansi dan Keuangan*.
- Herlinda, A., & Rahmawati, M. (2021). Pengaruh Profitabilitas, Likuiditas, Leverage dan Ukuran Perusahaan terhadap Agresivitas Pajak. *Jurnal Ilmu Riset Akuntansi*.
- Mustika, R., Ananto, R., & Handayani, D. (2018). Analisis Tarif Pajak Efektif di Indonesia. *Jurnal Politeknik Caltex Riau*.
- Novriyanti, I., & Dalam, W. (2020). Faktor-Faktor yang Mempengaruhi Penghindaran Pajak. *Journal of Applied Accounting and Taxation*.
- Puspita, D., & Febrianti, M. (2017). Faktor-Faktor Yang Memengaruhi Penghindaran Pajak Pada Perusahaan Manufaktur Di Bursa Efek Indonesia . *Jurnal Bisnis dan Akuntansi*.
- Putri, V., & Putra, B. (2017). Pengaruh Leverage, Profitability, Ukuran Perusahaan Dan Proporsi Kepemilikan Institusional Terhadap Tax Avoidance. *Jurnal Manajemen Dayasaing*.