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Optimizing Transfer Pricing And Capital Intensity Strategies In Reducing Tax Burden: A Study On Multinational Companies

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ABSTRACT

This study aims to analyze the effect of Transfer Pricing and Capital Intensity on Tax Avoidance in multinational manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2019-2023. The study uses a quantitative method with secondary data obtained from the financial statements of multinational manufacturing companies. The analysis was conducted using panel data regression to evaluate the effect of Transfer Pricing and Capital Intensity on Tax Avoidance, with the help of Eviews software for statistical processing. The results of the study indicate that Transfer Pricing does not have a significant effect on Tax Avoidance, because many companies in the sample conduct domestic affiliate transactions, so they cannot take advantage of differences in tax rates between countries. Conversely, Capital Intensity has a significant effect on Tax Avoidance, because companies with high capital investment in fixed assets can benefit from tax deductions through depreciation. In addition, when Transfer Pricing and Capital Intensity are analyzed together, both affect Tax Avoidance, allowing companies to take advantage of weaknesses in tax regulations.

INTRODUCTION

Tax avoidance practices by multinational companies have become a global concern due to their significant impact on the company's reputation and the economy of the country where the company operates. Taxes, which are the main source of state revenue, contribute 78% of Indonesia's revenue based on the 2020 Central Government Financial Report. However, the level of awareness of the Indonesian people in paying taxes is still low, as indicated by the tax ratio of only around 8-10% during 2016-2020. One of the major challenges faced by the government is the practice of tax avoidance carried out by multinational companies to minimize their tax burden (Omesi & Appah, 2021). Tax is a mandatory contribution made by certain members of

society to a country subject to the government's jurisdiction for the purpose of generating revenue to facilitate economic growth, economic stabilization, income redistribution, increased fairness and equality, fiscal responsibility and accountability, and for the provision of national goods and services. Tax avoidance often occurs through schemes such as transfer pricing, where companies shift profits to jurisdictions with lower tax rates or tax havens. This practice is legal but is often abused to significantly reduce tax liabilities, as revealed by Wang et al. (2019).

As well as the potential reputational risks that arise from corporate tax avoidance, this tax practice can also have adverse consequences for the economy in which the company operates. (Stiglingh *et al*., 2022). Based on agency theory, the conflict of interest between the government (principal) and the company (agent) motivates companies to maximize profits through tax avoidance strategies. This creates a major challenge for the government in ensuring optimal tax revenues. Transfer pricing is one of the most common methods used in tax avoidance, allowing multinational companies to shift tax obligations from high-rate jurisdictions to low-rate jurisdictions. Network (2020), shows that there is an estimated loss of US$4.86 billion per year or equivalent to IDR68.7 trillion as a result of tax avoidance in Indonesia. Of that amount, IDR67.6 trillion is corporate tax avoidance and the rest is personal tax avoidance.

The findings also show that tax avoidance practices carried out by multinational companies are executed by shifting company profits to 'tax haven' countries so that the taxes that should be paid are lower. Napitupulu et al., (2020) also revealed that tax avoidance practices carried out by multinational companies are often carried out by transferring transfer pricing. However, previous research results showed inconsistent results regarding the effect of transfer pricing on tax avoidance. Several studies, such as those conducted by Alfarizi et al. (2021), showed a positive effect, while Dewi & Suardika (2021) found that transfer pricing had no significant effect on tax avoidance. In addition, capital intensity, which refers to investment in fixed assets, is also considered to influence tax avoidance.

Through depreciation of fixed assets, companies can reduce taxable profit and, ultimately, tax liabilities. However, research results on the effect of capital intensity on tax avoidance also showed inconsistencies. Firdaus et al. (2022) found a significant positive effect, while Pratama (2021) stated that there was no significant effect. This phenomenon is increasingly relevant in Indonesia, where losses due to tax avoidance reach IDR 68.7 trillion per year. The case of PT Adaro Energy Tbk which utilizes the transfer pricing scheme through its subsidiary in Singapore is a concrete example. Therefore, this study aims to analyze the effect of transfer pricing and capital intensity on tax avoidance in multinational companies in the manufacturing sector in Indonesia to deepen understanding of this practice and its impact on state tax revenues.

LITERATURE REVIEW

Agency Theory

Agency theory is a framework often used in management and finance studies to explain the relationship between shareholders (principals) and managers (agents) in a company. Jensen and Meckling (1976) explain that in this relationship there is often a conflict of interest between the principal and agent. The principal, which in the context of taxation is represented by the government, expects the company (agent) to comply with tax regulations honestly and pay tax obligations correctly. However, agents have an interest in maximizing company profits, which often causes them to look for ways to reduce the tax burden through tax avoidance practices (Lutfia & Pratomo, 2022). This conflict arises because managers have incentives to maximize the value of the company through various legitimate tax avoidance strategies but are often not in line with the interests of the state which aims to maximize tax revenues. If managers are only paid a fixed salary, then managers do not directly benefit from the tax savings achieved. However, if managers face a bonus-based income scheme, manipulating profits allows managers

to receive bonuses based on those profits and creates incentives to participate in tax avoidance strategies (Hong et al., 2022).

In agency theory, problems arise when agents exploit weaknesses in the tax system to legally avoid taxes, but with consequences that are detrimental to the state. Tax avoidance practices are often not illegal, but are ethically viewed negatively because they cause losses to the government and society in general. Agency costs arise when principals must exercise stricter supervision to ensure that agents do not violate the rules or make decisions that only benefit themselves, including in terms of tax obligations (Lutfia & Pratomo, 2022). Incentive schemes such as bonuses further increase the potential for agency conflicts because they provide additional motivation for managers to prioritize personal gain through tax avoidance, which ultimately increases the risk to the interests of the principal.

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Tax Avoidance

Tax avoidance is a legal practice carried out by companies to minimize tax liabilities by exploiting loopholes in the tax system. Tax avoidance is different from tax evasion, which is illegal tax avoidance. In tax avoidance, companies take advantage of the provisions in tax law to reduce the tax burden that must be paid without breaking the law (Lutfia & Pratomo, 2022). According to Beebeejaun (2018), tax avoidance is a complex issue that involves many parties and occurs in a complex tax environment, both domestically and internationally. Many multinational companies use tax avoidance as a strategy to increase net income. This strategy is often implemented by shifting profits to countries with lower tax rates or through manipulation of financial reporting. Research by Pratomo & Triswidyaria (2021) shows that large companies are more likely to engage in tax avoidance because they have the resources and expertise needed to identify and exploit loopholes in tax law.

Morally, tax avoidance is considered unethical because although it is legally valid, this practice can reduce state revenues that should be used for public welfare. Several countries with lower tax rates are often used as tax havens, where multinational companies move their profits to reduce tax payments in countries of origin that have higher tax rates (Firdaus et al., 2022). The complexity of this issue is increasing because it involves interactions between different tax regulations in each country, thus requiring attention from policy makers, regulators, and business actors to create a balance between legality and ethics in tax practices.

Transfer Pricing

Kramarova, (2021) Transfer pricing is the pricing of transactions between entities that have a special relationship (for example between companies in the same group or between a subsidiary and a parent company). In the context of multinational companies, transfer pricing is often used as a tool to optimize the tax burden by shifting profits from one entity in a country with a high tax rate to another entity in a country with a lower tax rate (Pratomo & Triswidyaria, 2021). These countries offer very favorable tax policies for companies with an international structure (Merle et al., 2019). This transfer pricing practice is very important for multinational companies because it gives them the flexibility to allocate revenue and costs across favorable tax jurisdictions. For example, a company can set a high price for goods sold to a subsidiary in a country with a low tax rate, thereby increasing profits in that country and reducing profits in the country with a high tax rate (Lutfia & Pratomo, 2022). In this case, the company does not violate the law, but takes advantage of existing rules to reduce their tax liabilities.

Research by Pratomo & Triswidyaria (2021) found that companies that frequently conduct cross-border transactions with their affiliates abroad are more likely to use transfer pricing as a means of tax avoidance. The higher the volume of transactions between companies, the greater their potential to manipulate transfer prices to reduce the taxes paid. Developing countries are the ones most affected by this negative impact, because developing countries often lack the ability to supervise and enforce transfer pricing regulations. Therefore, joint efforts are needed,

both at the national and international levels, to introduce stricter regulations and better monitoring systems, so that transfer pricing abuse practices can be minimized and tax avoidance can be suppressed (Sebele Mpofu et al., 2021). The complexity of transfer pricing practices creates major challenges for tax authorities, especially in developing countries that tend to be more vulnerable to tax avoidance practices. With global cooperation, including through initiatives such as the OECD BEPS (Base Erosion and Profit Shifting), it is hoped that transfer pricing practices that abuse the tax system can be minimized, so that each country gets a fair right to their tax revenues.

Capital Intensity

Capital intensity is the ratio between fixed assets (capital) and total assets owned by the company. Companies with high capital intensity have large investments in fixed assets such as buildings, machinery, and equipment. In the context of taxation, capital intensity can affect tax avoidance because fixed assets provide depreciation benefits that can be used as a tax deduction (Mariadi & Dewi, 2022). Depreciation of fixed assets is an expense that can be recognized in financial statements and used to reduce taxable income. Therefore, companies with high capital intensity tend to have the potential to carry out tax avoidance by reducing taxable income with large depreciation expenses. Research by Firdaus et al. (2022) shows that companies that have large investments in fixed assets often use capital intensity as a tool to reduce tax burdens through asset depreciation.

However, another study by Mariadi & Dewi (2022) found that the effect of capital intensity on tax avoidance is not always significant in all industries, especially if investment in fixed assets is more aimed at supporting company operations than at reducing taxes. Tighter supervision and clear regulations are essential to ensure that depreciation manipulation is not used for tax avoidance that is detrimental to the state (Kim & Im, 2017). In addition, capital intensity is the level of investment of a company in fixed assets and its implications on the level of related capital asset incentives that the company can enjoy. This has been found to be a good tax planning point, and this is the reason why allowances and incentives based on capital intensity can be enjoyed by companies (Akintoye et al., 2020). Although capital intensity can provide benefits in the form of tax reductions through depreciation, it also requires ethical and transparent management so that it is not misused for purposes that are detrimental to the interests of the state. Clearer regulations and strict implementation are needed to maintain a balance between the interests of companies and their contribution to state tax revenues.

The Effect Of Transfer Pricing On Tax Avoidance

Agency theory explains that differences in interests between companies (agents) and governments (principals) in paying taxes can cause agency problems, where companies try to reduce tax liabilities to maximize profits through tax avoidance. One method used is transfer pricing, which is the transfer of profits to affiliated companies in countries with lower tax rates (Pohan, 2019). Transfer pricing allows companies to shift revenue, costs, or profits between affiliated entities to legally reduce tax liabilities but is often considered detrimental to state revenues. This problem cannot be resolved unilaterally, but requires multilateral cooperation, considering that transfer pricing is an effective strategy for multinational companies to compete and minimize costs, including corporate income tax (Amidu et al., 2019; Maulana et al., 2018).

Previous studies have shown that transfer pricing has a positive effect on tax avoidance. Robin et al. (2021) suggest that the results of this study can be used by the Directorate General of Taxes to identify companies that need to be audited regarding tax reporting. In addition, Maulana et al. (2018) noted that transfer pricing is an issue not only in multinational company (PMA) transactions but also national private companies (PMDN). This is supported by studies by Nurrahmi & Rahayu (2020), Alfarizi et al. (2021), and Pratomo & Triswidyaria (2021), which found

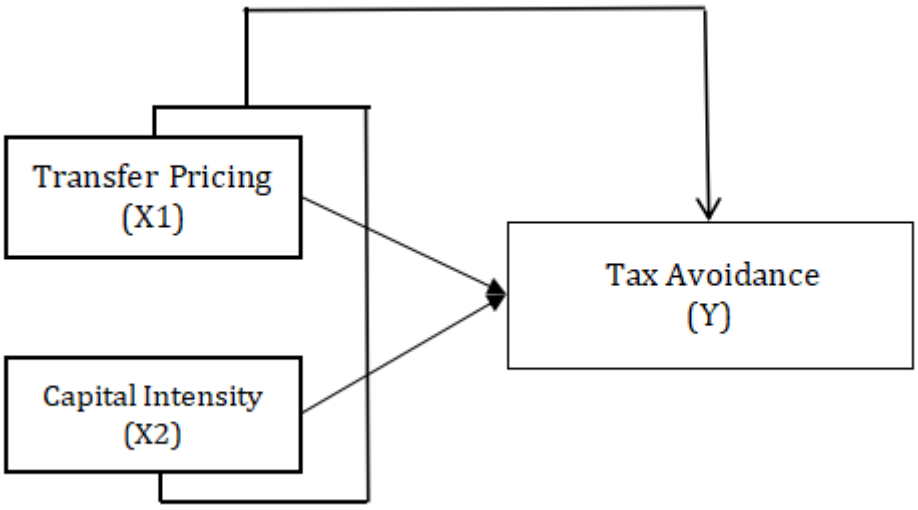
that transfer pricing to affiliated companies with lower tax rates can increase tax avoidance, thus emphasizing the importance of strict tax regulations to address this practice.

The Effect Of Capital Intensity On Tax Avoidance

Agency theory states that differences in interests between companies (agents) and the government (principals) in terms of tax payments can trigger agency problems, where companies try to minimize tax liabilities to maximize profits. One way is through capital intensity, namely utilizing fixed asset depreciation costs as a deduction from gross income, in accordance with Article 6 paragraph 1b of Law of the Republic of Indonesia Number 36 of 2008 concerning Income Tax (Law, 2008). With large investments in fixed assets, companies can increase depreciation expenses, so that profit before tax is reduced, which ultimately reduces the tax burden that must be paid (Firdaus et al., 2022). This shows that the higher the capital intensity of a company, the more likely the company is to engage in tax avoidance (Humairoh & Triyanto, 2019).

Previous research supports a positive relationship between capital intensity and tax avoidance. Firdaus et al. (2022) explained that investment in fixed assets that generate high depreciation expenses will reduce the company's profit and tax burden. Mariadi & Dewi's (2022) research also shows that high capital intensity allows companies to take advantage of depreciation to reduce tax liabilities. The results of Aladwey's (2022) research show that both capital intensity and leverage ratio are due to tax avoidance practices. By utilizing capital intensity, companies can divert profits into fixed assets that generate depreciation benefits, thereby reducing tax liabilities. Therefore, capital intensity is often used as a company strategy to optimize tax savings (Jusman & Nosita, 2020).

Figure 1 Framework of Thought



Source: Results of Development by Researchers

METHODS

This study uses a quantitative method that aims to test the established hypothesis. The data used in this study are secondary data obtained from the annual financial reports of multinational manufacturing companies listed on the Indonesia Stock Exchange (IDX). The quantitative approach is carried out using descriptive statistical analysis and panel data regression analysis. Data processing is carried out using Microsoft Excel and Eviews version 12 programs.

Population And Sample

The population in this study were all multinational manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2023 period, totaling 172 companies. The research sample was selected using the purposive sampling method, with the criteria being companies that publish complete financial reports, use the rupiah currency, and do not experience losses during the research period. From this population, 15 companies were obtained that met the criteria with a total sample of 75 company data (15 companies multiplied by 5 years).

Table 1 Sampling Results

No	Sample Criteria	Number of Companies
1.	Multinational manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2023	172
2.	Companies that did not publish financial reports during the 2019-2023 period	-34
3.	Companies that use foreign currency	-25
4.	Companies that experienced financial report losses in the period 2019-2023	-47
5.	Companies that do not provide related party data from the period 2019-2023	-18
6.	Companies that do not have subsidiaries abroad	-33
Sample of Multinational Companies in Manufacturing Sector		15
Research Period (Year)		5
Number of Research Data Samples		75

Source: processed by researchers, 2024.

Data Sources And Collection

The data sources in this study are secondary data obtained from the annual reports of multinational manufacturing sector companies listed on the IDX during the 2019-2023 period. Secondary data were collected from the website www.idx.co.id and from the official websites of each company. Data collection was carried out by reading, recording, and analyzing the company's financial documents, as well as information related to related party receivables and investments in fixed assets.

Data Analysis Techniques

The data analysis techniques used in this study are descriptive statistical analysis and panel data regression analysis. Descriptive statistical analysis is used to describe the characteristics of the research variables, while panel data regression analysis is used to test the effect of transfer pricing and capital intensity on tax avoidance. The analysis was carried out using Eviews 12 software. The panel data regression model used is as follows:

$Y = \alpha + \beta 1X1it + \beta 2X2it + e$

Keterangan:

Y = *Tax Avoidance*

α = konstanta

X1 = *Transfer Pricing*

X2 = *Capital Intensity*

β (1..2) = koefisien regresi

i = *cross section*

t = *time series*

e = *error*

Panel Data Analysis Model

This study uses a panel data regression model, which is a combination of cross-section data and time-series data. The panel data regression model was chosen because it can provide better estimates by considering inter-company and inter-temporal variations. There are three models used in panel data regression analysis, namely the common effect model (CEM), fixed effect model (FEM), and random effect model (REM). Model selection is carried out using the Chow test to determine the use of CEM or FEM, and the Hausman test to determine the use of FEM or REM.

RESULTS

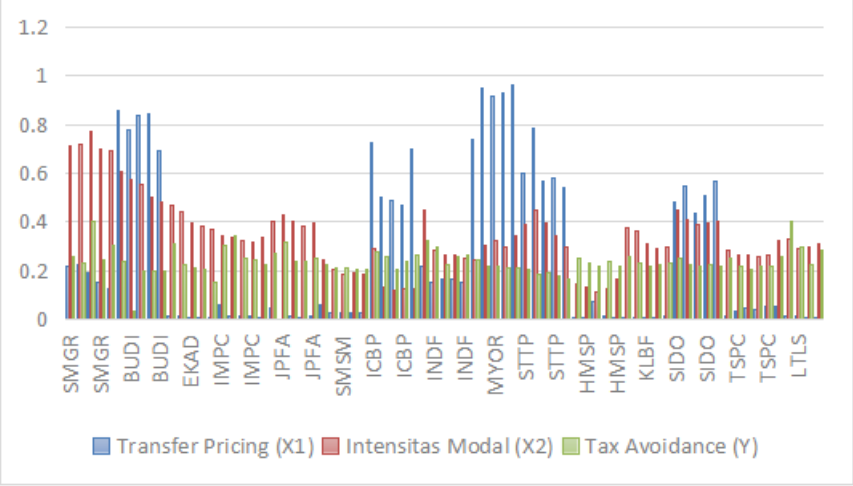
Descriptive Statistical Analysis

The descriptive statistical test in this study aims to determine the minimum (smallest) value, maximum (largest) value, average (mean) value, and standard deviation of each variable tested. The following is presented in the form of a table of the results of the calculation of the descriptive statistical test in this study.

Table 2 Descriptive Statistics Result

	N	Minimum	Maximum	Mean	Std. Deviation
Tax avoidance (Y)	75	0.032015	0.402281	0.236927	0.050927
Tranfer Pricing (X_1)	75	0	0.963334	0.259581	0.31939
Capital Intensity (X_2)	75	0.113743	0.769096	0.346078	0.147541

Figure Development Of Transfer Pricing, Capital Intensity And Tax Avoidance



Transfer Pricing (X1) of 15 companies in 2019-2023 can be explained that the average (Mean) transfer pricing (X1) of 15 companies is 0.259581. This result explains that this figure provides an overview of the extent to which companies use transfer pricing to reduce their tax liabilities. The higher the value produced, the greater the likelihood that these companies use transfer pricing for tax avoidance.

Capital Intensity (X2) of 15 companies in 2019-2023 can be explained that the average (Mean) Capital Intensity (X2) of 15 companies in 2019-2023 is 0.346078. This result explains how

much fixed assets a company has relative to its total assets. The higher the capital intensity ratio, the greater the portion of fixed assets in the company's total assets.

Classical Assumption Test

The classical assumption test aims to ensure whether the equation of a regression has estimation accuracy, is consistent and unbiased. Researchers will conduct multicollinearity tests and heteroscedasticity tests.

Multicollinearity Test

Table 3 Multicollinearity Test Results

	Transfer Pricing	*Capital Intensity*
Transfer Pricing	1.000000	0.175698
Capital Intensity	0.175698	1.000000

Source: Eviews output, 2024

From the table 3 above, it is known that there are no variables that have a value of more than 0.08, namely transfer pricing and capital intensity of 0.175698 <0.80, so it can be concluded that there is no multicollinearity in the regression model of this study or it passes the multicollinearity test. This means that there is no correlation between independent variables.

Heteroscedasticity Test

Table 4 Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.003397	0.023544	-0.144272	0.8858
X1	-0.065766	0.059228	-1.110381	0.2714
X2	0.122550	0.078821	1.554778	0.1254

Sumber: output Eviews, 2024

From the table above, the basis for decision making is if the chi-square probability value is > 5% then there is no heteroscedasticity. Likewise, if the chi-square probability value is ≤ 5% then there is heteroscedasticity (Hamid et al., 2020). The transfer pricing (X1) and capital intensity (X2) probability values are 0.2714 and 0.1254 > 0.05, so there is no heteroscedasticity. From the graph, it can also be seen that it does not cross the limits (500 and -500). This means that the residual variance is the same because the line is around 0.

Therefore, there are no symptoms of heteroscedasticity, which means that the regression model tends to provide more accurate predictions, or passes the heteroscedasticity test (Napitupulu et al., 2020). This means that the residual variance is homogeneous, meaning that the analysis results can be trusted.

Determination Of Panel Data Estimation Model

Table 5 Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.713210	(14,58)	0.0002
Cross-section Chi-square	47.992532	14	0.0000

Sumber: output Eviews, 2024

Table 5 above, it is known that the probability of F of 0.000 is smaller than the significance of 0.05 (0.0000 <0.05), which means that Ho is successfully rejected and Ha is accepted. Thus, the

model selected in the Chow test is fixed effect. After knowing that the fixed effect model is better than the common effect, to be more confident in choosing a model, a Hausman test needs to be carried out.

Hausman Test

Table 6 Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	7.918799	2	0.0191

Sumber: output Eviews, 2024

In table 6 above, it is known that the F probability of 0.0191 is smaller than the significance of 0.05 (0.0191 <0.05), which means that Ho is rejected and Ha is accepted so that the selected model in the Hausman test is fixed effect. Because the results of the Chow test and the Hausman test show the same estimation model, there is no need to do the Lagrange Multiplier (LM) test. Because both tests have produced FEM. After the Chow test and the Hausman test, the best model used is Fixed Effect, which is more appropriate for predicting the form of regression in this study compared to the common effect or random effect models. So it can be concluded that Fixed Effect is the most appropriate model to use in this study.

Panel Data Regression Model Estimation

Table 7 Results Of Panel Data Regression Estimation Using The Fixed Effect Model.

Estimation Equation:

Y = C(1) + C(2)*X1 + C(3)*X2 + [CX=F]

Substituted Coefficients:

Y = 0.111731158318 - 0.11033523058*X1 + 0.444515298175*X2 + [CX=F]

Based on table 7 above, the estimation results for the Fixed Effect model are obtained. From these results it can be seen that the Transfer Pricing variable has no effect on Tax Avoidance, while the Capital Intensity variable has an effect on Tax Avoidance.

F Test

Table 8 F Test

R-squared	0.549292
Adjusted R-squared	0.424959
S.E. of regression	0.038619
Sum squared resid	0.086502
Log likelihood	147.2699
F-statistic	4.417903
Prob(F-statistic)	0.000014

Source: Eviews output, 2024

Based on the output results obtained, the calculated F value is 4.417903 while the F table with α = 5% is 3.123907. Thus, the calculated F (4.417903) > F table (3.123907) and it can also be seen from the probability value which is 0.0000 which is smaller than the significance level of 0.05 so that H0 is rejected. This shows that the transfer pricing variables (X1) and capital intensity

(X2) together have a significant effect on the tax avoidance variable (Y), so that the regression model can be used to predict the dependent variable.

T Test

Table 9 T Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.111731	0.041731	2.677439	0.0096
X1	-0.110335	0.104978	-1.051033	0.2976
X2	0.444515	0.139705	3.181815	0.0024

Sumber: output Eviews, 2024

T-statistic of transfer pricing variable (X1) obtained a calculated t value of -1.051033 < t table which is 1.992997 then H0 is accepted and H1 is rejected, P-value obtained from sig. value greater than 0.05 indicates that there is no strong enough evidence to reject the null hypothesis. In other words, the effect of transfer pricing (X1) on tax avoidance is not statistically significant or it can be said that the transfer pricing variable (X1) has no effect on Y. While the T-statistic of capital intensity variable (X2) obtained a calculated t value of 3.181815 > t table which is 1.992997 then H0 is rejected and H1 is accepted, meaning that the capital intensity variable (X2) has an effect on tax avoidance (Y). P-value smaller than 0.01 indicates that there is strong evidence to reject the null hypothesis. In other words, the effect of capital intensity (X2) on tax avoidance is statistically significant or it can be said that the capital intensity variable (X2) has an effect on tax avoidance (Y).

DISCUSSION

The Effect Of Transfer Pricing On Tax Avoidance

The results of the study indicate that transfer pricing does not have a significant effect on tax avoidance, so the first hypothesis (H1) is rejected. This is due to the tendency of sample companies to conduct more affiliate transactions domestically, so they do not take advantage of differences in tax rates between countries to reduce the tax burden. Regulation of the Minister of Finance of the Republic of Indonesia Number 213/PMK.03/2016 and the OECD Transfer Pricing Guide Lines (OECD Guide Lines) require the application of the principle of fairness and business customs in transactions between companies that have special relationships. This provision gives the government the authority to recalculate the transfer price if it does not reflect reasonable taxable income. In addition, Article 18 paragraph 3 of the Income Tax Law also gives the Directorate General of Taxes the authority to adjust taxable income in affiliate transactions, thereby limiting the use of transfer pricing as a tax avoidance mechanism.

These results are inconsistent with the agency theory which states that transfer pricing is a tool to minimize the company's tax burden through tax avoidance. This study also contradicts the findings of Abdul (2019) and Ramdhani et al. (2021), which states that transfer pricing has a positive effect on tax avoidance. However, the results of this study are consistent with Robin et al. (2021) and Susanto et al. (2022), which found that transfer pricing does not affect tax avoidance. This difference in results is due to variations in the disclosure of companies' financial statements and the completeness of information about transactions with related parties, which can affect the assessment of transfer pricing.

The Effect Of Capital Intensity On Tax Avoidance

The results of the study indicate that capital intensity has a significant effect on tax avoidance, so the second hypothesis (H2) is accepted. Companies with high levels of capital

intensity tend to have significant fixed assets, such as land, buildings, and equipment, which can be used to reduce tax liabilities through depreciation expenses. In accordance with Law of the Republic of Indonesia Number 36 of 2008 concerning Income Tax Article 6 paragraph 1b, gross income reduction can be done through depreciation of fixed assets. This depreciation reduces taxable profit, so companies with large capital in the form of fixed assets have greater potential to avoid taxes. These results are supported by Mailia (2020), who explains that companies often invest profits in fixed assets to utilize depreciation as a reduction in tax liabilities.

In addition, companies with high fixed assets can also benefit from tax incentives or special treatments provided by several jurisdictions, such as reduced tax rates or other incentives designed to encourage investment in fixed assets. This finding is consistent with the research of Aryatama & Raharja (2021) and Darsani & Sukartha (2021), which also found that capital intensity affects tax avoidance. However, this result contradicts the findings of Pratama & Larasati (2021) and Suharni et al. (2022), which stated that capital intensity has no effect on tax avoidance. The difference in results indicates variations in the use of capital intensity as a tax avoidance strategy, depending on company policy and the jurisdiction in which the company operates.

CONCLUSION

This Study Found That Transfer Pricing Has No Significant Effect On Tax Avoidance In Multinational Manufacturing Companies On The Indonesia Stock Exchange (Idx) For The 2019-2023 Period. This Is Due To Strict Supervision Carried Out Through The Oecd Transfer Pricing Guidelines And Pmk Policy Number 213 / Pmk.03 / 2016, Which Limits The Loopholes For Companies To Utilize Transfer Pricing To Avoid Taxes. On The Other Hand, Capital Intensity Is Proven To Have a Significant Effect On Tax Avoidance. Companies With High Capital Intensity Utilize Fixed Asset Depreciation Expenses As a Deduction From Taxable Profit, Which Ultimately Reduces Tax Liabilities. Simultaneously, Transfer Pricing And Capital Intensity Affect Tax Avoidance, Indicating That Companies Exploit Weaknesses In Tax Regulations To Minimize Their Tax Liabilities. The Results Of This Study Provide Important Implications For The Government, Companies, And Academics.

For The Government, It Is Necessary To Increase Supervision, Law Enforcement, And Guidance For Taxpayers To Minimize Tax Avoidance Practices. Companies Are Advised To Carry Out Legal Tax Planning, But Still Consider The Impact Of This Practice On The Company's Image. For Academics, This Study Opens Up Opportunities For Further Studies By Adding New Variables Such As Profitability, Thin Capitalization, And Financial Distress, Or Expanding The Focus To Different Business Sectors And Ownership Structures. This Study Highlights The Importance Of An Integrated Approach In Understanding And Managing The Factors That Influence Tax Avoidance, Both In Terms Of Regulation And Corporate Strategy.

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