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Original Research Article

Content Analysis of Indonesian Tax Court Rulings: Aggresiveness of Transfer Pricing and Tax Avoidance

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Abstract

This research aims to examine the influence of effective tax rates, the existence of transactions with Tax Haven countries, and the aggressiveness of transfer pricing on tax avoidance. This research observed 115 public and private companies in all areas of the Indonesian Tax Authority whose tax disputes over transfer pricing cases had been decided by the Indonesian Tax Court for the 2017-2022 period. This research was carried out using a quantitative approach with cross section data which was then analyzed using multiple regression analysis using the Eviews 12 application. The secondary data for this research came from Financial Reports, Court Decisions and Tax Annual Corporate Reports which had received approval from the Directorate General of Taxes and used initials so as to avoid violations of official secrets. The results of this study indicate that the effective tax rate has an influence but is not significant on tax avoidance. This shows that the effective tax rate or large tax burden of companies, most of which are foreign owned, has not been able to encourage these companies to avoid tax. On the other hand, the existence of transactions with Tax Haven countries and the aggressiveness of transfer pricing have a positive and significant effect on corporate tax avoidance. These results indicate that there are transactions with affiliates in Tax Haven countries and the more aggressive the company is in its transfer pricing policy, it indicates that there is a strong motive to avoid tax.

Keywords: Tax Court, Effective Tax Rate, Tax Haven, Transfer Pricing Agressivity, Tax Avoidance.

INTRODUCTION

Entering 2022, the global economy faces new challenges. After the Covid 19 pandemic broke out in 2020, the war between Russia and Ukraine caused economic disruption which affected many countries. According to Dr Cheng Hoon Lim, Assistant Director of the Western Hemisphere Department at the International Monetary Fund (IMF) on feb.ugm.ac.id (2022), the economic shock can be seen from indicators of decreasing supply in commodity markets and depreciation of currency and capital in financial relations between countries.

Even though the global economy is experiencing a decline, there is still another hope, namely economic development in the ASEAN region. This was stated by Managing Director of the International Monetary Fund Kristalina Georgieva at the International Monetary Fund at the ASEAN+3 Economic Cooperation and Financial Stability Forum at cnbcindonesia.com (2022). Specifically in Indonesia, economic growth is explained by the Central Statistics Agency's report regarding Indonesia's Gross Domestic Product (GDP), which experienced growth of 5.44% year on year compared to 2021.

Indonesia's overall economic growth cannot be separated from the influence of the global economy. One of the impacts of this global economy is the emergence of multinational companies. Existing studies on multinational companies in Indonesia show that these companies have both beneficial and detrimental impacts on the country's economy. The positive impact is a beneficial impact on national economic growth (Muhammad Iqbal, 2023). Problems for multinational companies can arise if these companies try to transfer profits from one company to another company in a different country by taking advantage of differences in tax systems and rates between countries as a mode of tax avoidance through a transfer pricing scheme, according to DDTC Fiscal Research Mitra Bawono Kristiaji at the datacenter.ortax.org (2021).

Reducing potential taxes using the profit shifting method or Base Erosion Profit Shifting (BEPS) is a tax challenge for countries in the world due to tax avoidance by multinational companies. One way to shift profits by multinational companies is by using the transfer pricing method. Several studies provide evidence that transfer pricing has been used to save tax payments (Cristea & Nguyen, 2016), (Davies *et al*., 2018), and (Blouin, Robinson, & Seidman, 2018).

According to the Fiscal Policy Agency (2021), potential global tax losses are estimated at 100 to 240 billion US dollars or the equivalent of 4 to 10% of the total global Gross Domestic Product each year. Indonesian Ministry of Finance official, Denny Widyanto in Tax.go.id (2021) stated that on a broader scale, the magnitude of losses due to transfer pricing practices could affect Indonesia's trade balance because it involves international transfer pricing. With this large impact, the issue of transfer pricing has become a major concern for multinational companies based on a survey by the Public Accounting Firm Eernst & Young (Anggraeni & Lutfillah, 2019) and has also become a major topic of discussion in the last two decades (Mukunoki & Okoshi, 2021).

To find out whether taxpayers are avoiding tax through a transfer pricing scheme or not, one way is to analyze the decision of the Indonesian Tax Court which heard the transfer pricing dispute. The Tax Court is a special judicial body tasked with exercising judicial power in Indonesia for people who wish to resolve tax disputes either through legal channels or appeals with the aim of providing justice in the handling of taxation in Indonesia (Pajakku, 2022). The Indonesian Tax Court is a place for resolving tax disputes that previously occurred between the DJP and taxpayers during the audit process and during the objection process. The existence of the Tax Court is regulated in Law Number 14 of 2002 concerning the Tax Court. The Tax Court has its own characteristics when compared to other judicial bodies in Indonesia. One of the unique things about the Tax Court is that it uses the burden of proof based on accounting and taxation science, apart from of course tax law and constitutional law in resolving disputes tried in the Tax Court.

Most tax disputes in the Tax Court are evidentiary disputes. For this reason, it is not surprising that the DJP's win rate at the Tax Court is still very low, namely around 40.54% in 2019, which is often caused by the DJP's weakness in providing evidence at the Tax Court (DDTC News, 2020). In carrying out evidence at the Tax Court, both Taxpayers, DJP and Tax Court Judges must master accounting and taxation knowledge in proceedings at the Tax Court. Specifically for disputes related to transfer pricing, there are 7 (seven) types of disputes, all of which are related to a company's accounting and financial reports.

During the period from 2017 to 2022, it is known that there were 1,244 tax disputes that had been decided by the Tax Court regarding transfer pricing dispute cases. Cases of tax evasion using transfer pricing schemes are spread across almost all 33 (thirty three) DJP Regional Office areas, with the most cases in the Special Jakarta DJP Regional Office because all taxpayers in that area are taxpayers with Foreign Investment (PMA) criteria who have parents abroad. Turwanto Primasari (2022) conducted research by conducting content analysis of the minutes of the Tax Court Decision which decided the transfer price correction dispute by the DJP. The average DJP win rate at the Tax Court in transfer pricing dispute cases during 2017-2022 was 37.2% per year. This winning rate is calculated on a per-correction basis, not calculated based on the Tax Court's decision. The following is data on the distribution of tax evasion cases using the transfer pricing scheme from 2017 to 2022.

Source: Reprocessed from dispute data from the Indonesian Directorate of Objection and Appeals

Indonesia is one of the countries driving transfer pricing in Asia (Feinschreiber & Kent, 2012). Therefore, the large number of appeal cases related to disputes over the practice of tax avoidance by means of transfer pricing in the Indonesian Tax Court, leaves big questions regarding what factors influence the emergence of tax avoidance through transfer pricing. To strengthen policy making in evaluating company transfer pricing, further research is needed regarding the factors that most dominantly influence tax avoidance schemes so that the Indonesian tax authorities can take strategic policies (Richardson *et al*., 2013). To reduce manipulation of tax avoidance practices through transfer pricing schemes, one possible solution is to find out the significant factors or reasons for tax avoidance decisions through transfer pricing schemes (Plesner Rossing *et al*., 2017).

From previous research, it is known that tax rates have a positive and very significant influence on avoiding tax rates based on research conducted by Drake *et al*., (2020), Dessi Pertiwi (2016). Meanwhile, research conducted by Saka *et al*., (2019), and Aronmwan & Okaiwele (2020) state that tax rates do not have a significant effect on tax avoidance practices.

Many countries in the world have much lower tax rates or do not impose taxes at all so it is very appropriate to facilitate tax avoidance from income source countries, these countries are known as Tax Haven countries (Van Fossen, 2015) (Gumpert *et al*., 2016), (Makni *et al*., 2020) and (Guex, 2022). Previous research stated that tax havens have a positive effect on tax avoidance practices, namely research conducted by Gravelle (2015) and Richardson *et al*., (2013) and has no effect on tax avoidance in multinational companies outside Indonesia (Gumpert *et al*., 2016). Meanwhile, research conducted in Indonesia was based on research by Widodo (2020) and Kurniasih *et al*., (2023), tax havens have positive and negative effects (Pramudya *et al*., 2021) on tax avoidance decisions and have no effect on tax avoidance practices (Sima, 2018).

The main aim of transfer pricing carried out by multinational companies is to avoid paying taxes in countries with higher tax rates (Choi *et al*., 2020), (Sebele-Mpofu *et al*., 2021). According to members of the National Accounting Council (IAI) of the Indonesian Accountants Association, published on the online news page cita.or.id, the company uses transfer pricing to minimize taxes paid through engineering prices transferred between divisions. In another discussion, the Executive Director of the Indonesian Taxation Center said that transfer pricing practices are often carried out by multinational companies to minimize tax payments to the state. Research regarding the aggressiveness of transfer pricing towards tax avoidance practices is very important so that the Indonesian tax authorities can anticipate this practice in the future. Measuring tax avoidance is difficult because tax data in company tax returns is usually difficult to obtain because it is confidential. However, in this research, permission from the DJP allows the author to dig deeper into tax avoidance practices through analysis of Tax Court Decisions and Annual Corporate Income Tax Returns by disguising the companies being examined.

Research regarding the influence of transfer pricing aggressiveness on tax avoidance in Ghana found a significant relationship (Amidu, Coffie, & Acquah, 2019) and in Indonesia itself no influence of transfer pricing on tax avoidance was found (Napitupulu *et al*., 2020; Nuryatun & Mulyani, 2021). However, several researchers have found that transfer pricing has a positive effect on tax avoidance (N. Putri & Mulyani, 2020). Wang *et al*., (2020) stated that multinational business organizations have a greater opportunity to engage in tax avoidance through structured transactions by transferring mandatory levyable income to countries with low tax rates.

The inconsistency of previous research results is the main motivation for this research. However, this research continues previous research conducted by Richardson *et al*., (2013), Taylor *et al*., (2015) and Turwanto (2022). The aim of this research is to examine the influence of effective tax rates, tax havens, and transfer pricing aggressiveness on tax avoidance in public and private companies whose transfer pricing tax disputes have been decided by the Indonesian Tax Court.

LITERATURE REVIEW

Political Cost Hypothesis, Effective Tax Rate, Tax Haven, Transfer Pricing and Tax Avoidance

Based on Watts & Zimmerman (1990), one of the hypotheses in positive accounting theory is the political costs hypothesis. The political costs hypothesis indirectly describes the condition of giant companies which tend to manipulate profits to minimize political costs. The political costs in question are all costs that must be incurred by the company related to government political actions such as taxes and other government regulations (Watts & Zimmerman, 1978).

This theory further explains the factors that can influence the behavior of company management in implementing accounting standards, which will ultimately have an impact on the company's actions in setting its accounting standards. Factors that can influence a company's cash flow cause management to lobby or plan its financial reports, including taxes, regulations set by regulators and the government, management compensation plans and political costs. Furthermore, Watts & Zimmerman (1990) also explained that the Political Cost Hypothesis predicts that large companies tend to choose accounting methods or calculation methods that can reduce their reported profits when compared to small companies.

Tax is a form of political government policy because it is one of the government's fiscal policies to regulate a country's economy which concerns the livelihoods of many people. When compared with company profits, tax is a deduction that will reduce the company's net profit. The behavior of companies that try to reduce the value of profits and taxes is a consequence of the meeting of 2 (two) different interests between the company and the government, in this case the tax authority.

Positive accounting theory explains the reasons companies choose appropriate accounting strategies to fulfill their opportunistic desires. With the condition of the company being known only to management, the company chose to disagree with the tax authorities in the hope that the tax authorities would never find out about the company's secrets. On the other hand, tax authorities only know limited information. They do not have sufficient resources to be able to monitor all transactions carried out by taxpayers.

This fact adds to the company's motivation to be able to carry out aggressive tax avoidance, one of which is through transfer pricing practices. Transfer pricing carried out by domestic companies collaborating with overseas affiliated companies increasingly emphasizes the weaknesses of the tax authorities in the country of source of income because they are hampered by different legal regulations between countries. This weakness makes it easier for multinational companies to transfer their profits to countries with lower tax rates than those applicable in that country or the country where the parent company originates.

Tax is one of the state revenues which has an important role in helping the Government carry out its duties well and is indirectly used by the wider community. So that various innovations and policies are carried out so that tax revenues can be received according to the specified targets. On the other hand, taxes are a burden for companies because they can reduce company profits and other benefits for management and investors so that companies do various things to reduce tax costs (Deden Tarmidi, 2020). From the perspective of company shareholders, tax avoidance can also have a negative impact on the company, because this reflects the personal interests of management who manipulate profits, resulting in incorrect information for shareholders or potential investors in the future (Lismiyati & Herliansyah, 2021).

Effective Tax Rates can be described as a comparison between the tax paid by a company and the company's profit before tax (Evana Putri, 2016). From the definition above, it can be concluded that the effective tax rate is the amount of the income tax burden borne by the company on profits earned by the company in its business activities, where the lower the value of the effective tax rate, the lower the tax burden borne by the company.

Tax rates according to law and Effective Tax Rates are 2 (two) different things. Tax rates according to the Income Tax Law are the rates imposed by law on the taxable income of Corporate Companies in force in Indonesia, in this case it is 25% (before 2019). Meanwhile, the effective tax rate is the percentage of income actually paid by a person or company after taking into account tax breaks (including deductions, exemptions, credits and preferential rates). It could be that a company has to pay an effective tax rate or tax burden for 1 (one) year of more than 25%, there are even companies that have to pay 50% of their tax burden for a year.

This is what makes the effective tax rate or overall tax burden of a company in Indonesia relatively high as one of the significant factors for multinational companies to avoid tax through transfer pricing (Drake, 2020), (Halim Rachmat, 2019), (Rahayu *et al*., 2020), and (Sulistyawati *et al*., 2020). With the conclusions from previous research, there is a negative and significant relationship between the effective tax rate in Indonesia and tax avoidance efforts through company transfer pricing. Therefore, the first hypothesis of this research is:

H1: Effective Tax Rates influence Tax Avoidance

Multinational companies that want to increase their profits tend to take opportunistic actions by taking advantage of tax haven facilities. One of the facilities of a tax haven is that it has a lower tax rate or even zero tax rate. In line with the political cost hypothesis, corporate profits will decrease if the company pays taxes which constitute a large political cost to the state. This is the basis for multinational companies to structure their transactions in such a way that they can allocate profits to tax haven countries (Desai *et al*., 2005) and (Dharmapala, 2008). The transaction mechanism that companies can use to avoid paying higher taxes to countries is by allocating profits received to tax haven countries and avoiding tax by charging high costs to countries with higher tax rates.

Apart from that, Tax Haven abuse is also supported by the absence of substantial activity requirements in the country to establish a company, lack of information transparency, and the difficulty of exchanging information with other tax authorities. This is what makes multinational companies that transact with Tax Haven countries have a higher tendency to avoid taxes through transfer pricing (Richardson *et al*., 2013), (Karunia, 2017), (Huu Anh *et al*., 2018) and (Irawan & Ulinnuha, 2022). Thus, the second hypothesis of this research is:

H2: *Tax Haven influences Tax Avoidance*

Transfer pricing is often used for tax avoidance when companies carry out transfer pricing practices with the aim of manipulating the amount of profit so that tax payments to the state are reduced (Nurrahmi & Rahayu, 2020). Only by preparing a transfer pricing policy by employing experts in the field of transfer pricing, a company can transfer a few percent of its turnover value to its parent country without requiring additional efforts such as tax avoidance practices in other ways. Moreover, knowledge regarding transfer pricing is still very general, not only for ordinary taxpayers, but there are still very few tax officers who understand transfer pricing. In addition, unclear tax avoidance regulations can lead companies to carry out higher tax aggressiveness (Armstrong *et al*., 2015).

In the tax audit process carried out by the tax authority, the aggressiveness of transfer pricing will determine whether or not there will be tax corrections related to the special relationships of a multinational company. This is what makes companies with high transfer pricing aggressiveness have a higher tendency to avoid taxes through transfer pricing (Amidu, Coffie, & Acquah, 2019), (Beer, De Mooij, & Liu, 2020), (Angel M, 2022) and (Turwanto, 2022). Furthermore, the third hypothesis of this research is:

H3: Transfer Pricing Aggressiveness influences Tax Avoidance

Figure 1 below illustrates our research framework representing the relationships between effective tax rate, tax haven, transfer pricing aggressiveness and tax avoidance.

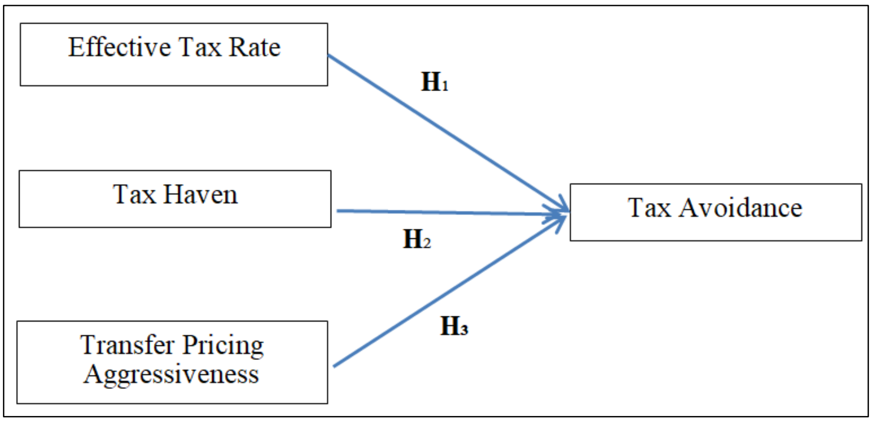

Figure 1: Research Framework
Source: Developed for this Source 2023

RESEARCH METHODS

Sample Construction

The objects of this research are companies in Tax Court decisions relating to transfer pricing cases decided by the Tax Court during 2017-2022. Companies in Tax Court decisions regarding transfer pricing cases have never been studied using quantitative methods in previous research. In previous research, companies with tax court decisions were only studied analytically, such as research conducted by Kurniawan and Firmansyah (2021), Budi Tama and Firmansyah (2021), Try Adriansyah *et al.*, (2022), and Turwanto Primasari (2022).

The sampling technique uses purposive sampling technique. The results of purposive sampling are shown in Table 1 below.

Table 1: Purposive sampling criteria

No	Purposive Sampling Criteria	Total
Sample and Population from 1.244 Tax Court Decisions		**522 Different Companies**
1	Annual report under 2014	(291)
2	Companies that suffered losses in the year of dispute and have KLU of Financial Institutions	(65)
3	Companies that do not have foreign shareholders	(38)
4	Companies whose financial statements could not be traced	(3)
	Total Sampling	**115 Companies**

Source: Data Processed, 2023

The data source for this research is the Tax Court Decision document which was downloaded from the setpp.co.id website which was accessed in April 2023. As for the filter to find out every Tax Court Decision related to transfer pricing cases, a transfer pricing dispute database was used which was issued by the Directorate of Objections and Appeals DJP. From this database it will be known which companies have submitted appeals decided by the Tax Court from 2017 to 2022.

The data used in this research is secondary data related to Tax Court Decisions and will be taken from the BEI website (IDX) for public companies and the Tax Information System of the Directorate General of Taxes for private companies. The data type is cross-sectional type. Researchers finally found 115 observation companies. Next, the data was tested using the EVIEWS 12 application and the research writing process used Microsoft Word as word processing software and Microsoft Excel as data processing software.

Variable Definition

The proxy used to determine the dependent variable (tax avoidance) was obtained from the analysis of the Tax Court's decision regarding transfer pricing cases that occurred in Indonesia. The results of the analysis of the decision will be assessed based on the sound of the decision, namely:

a. For decisions rejecting the sample company's appeal due to transfer pricing cases, the score is 2;
b. For a decision that accepts part of the sample company's appeal request due to a transfer pricing case, the score is 1;
c. The decision to accept all of the sample companies' appeals due to transfer pricing cases was assessed as 0.

The independent variables used in this study consist of tax rate, tax haven, and transfer pricing aggressiveness. Tax rate (ETR) is measured following research by Azzura (2019), which is the same proxy in Mispiyanti's (2015) research. The proxy considers the corporate income tax rate in Indonesia, which is 25%. Based on OECD statistical data (2020) the tax rate in Indonesia, when compared to other countries in the OECD data, tends to be higher.

$$ETR = \frac{\text{(Tax Expense – Deferred Tax Expense)}}{\text{Taxable Profit}} \times 100\%$$

Where:

ETR = Effective Tax Rate

Tax Expense = The amount of tax expense in Income statement

Deferred Tax Expense = A non-cash expense that provides a source of free cash flow. Amount allocated during the period to cover tax liabilities that have not yet been paid

Taxable Profit = Profit before deducted by tax

The tax haven (TH) variable is based on the briefing paper tax justice network, the combined list of tax havens and offshore financial centers from the OECD (2006), Tax Justice Network (2005), and the Financial Stability Forum (2000). The list of tax haven countries consists of 72 jurisdictions. This variable is the same variable used in the research of Irawan and Ulinulla (2022), because the list of tax haven countries used is complete than the list in the OECD used in the research of Richardson *et al.*, (2013).

In addition, tax haven countries in the OECD list are not used as destinations for corporate tax avoidance in Indonesia, such as Singapore and Hong Kong, which are not on the list. However, based on the Tax Justice Network (2005) and the Financial Stability Forum (2000), both countries are included in the list of tax haven countries. The measurement of the tax haven country variable (TH) uses a dummy variable of 1 if the company has at least one related party in the tax haven country that has transactions with the company. On the other hand, if the company has no related parties in the tax haven country that has transactions with the company, it is declared 0.

The last independent variable is transfer pricing aggressiveness (TP) which is an index based on Richardson *et al.*, (2013) which consists of eight criteria. Proxy to measure the aggressiveness of transfer pricing through this index can be implemented and replicated in countries other than Australia. In measuring the aggressiveness of transfer pricing, this index consists of 8 indicators, but for the 8th indicator namely "transfer of losses between related entities without commercial justification" there are no regulations governing it so it cannot be applied in Indonesia according to research by Waworuntu and Hadisaputra (2016) and Firmansyah and Yunidar (2020). This index uses the dummy method, namely by giving a value of 1 if each of the 8 indicators is met, and vice versa, it gives a value of 0 if the indicator is not fulfilled.

Furthermore, the approach used is the sum-score approach by adding up the assessment results of each of these indicators and then dividing them by 7 indicators that can be applied in Indonesia. The resulting value is in the range 0-100%. The indicators used as a reference to generate transfer pricing aggressiveness values in this study are as follows:

1) There are interest-free loans between related parties.
2) There is write-off of debts/receivables from/to related parties.
3) There is provision for impairment/allowance for uncollectible accounts payable/receivables between related parties.
4) There are non-monetary obligations (services/utilization of non-current assets/rents) without commercial justification between related parties.
5) There is no formal documentation owned by the company to support the use of the transfer pricing method used in transactions between related parties.
6) There is a disposal of long-term assets from/to related parties without commercial justification
7) There is no reasonable justification for

transactions between related entities.

Table 2: Definition of The Research Variables

Variable	Description
Dependent Variable	
Tax Avoidance (TAVOID)	The results of the analysis of these tax court decisions will be assessed based on the sound of the verdict, namely among others: a. For a decision that rejects a taxpayer's appeal due to a transfer pricing case, the score will be 2; b. For a decision that accepts a portion of the taxpayer's appeals due to a transfer pricing case, the score will be 1; c. For a decision that accepts the entire Taxpayer's appeal request due to a transfer pricing case, it will be assessed as 0.
Independent Variable	
Tax Rates (ETR)	$ETR = \frac{\text{(Tax Expense – Deferred Tax Expense)}}{\text{Taxable Profit}} \times 100\%$
Tax Haven (TH)	The measurement of the tax haven country variable (TH) uses a dummy variable of 1 if the company has at least one related party in the tax haven country that has transactions with the company. On the other hand, if the company has no related parties in the tax haven country that has transactions with the company, it is declared 0.
Transfer Pricing Aggressivity (TP)	The resulting value is in the range 0-100%. The indicators used as a reference to generate transfer pricing aggressiveness values in this study are as follows: 1) There are interest-free loans between related parties. 2) There is write-off of debts/receivables from/to related parties. 3) There is provision for impairment/allowance for uncollectible accounts payable/receivables between related parties. 4) There are non-monetary obligations (services/utilization of non-current assets/rents) without commercial justification between related parties. 5) There is no formal documentation owned by the company to support the use of the transfer pricing method used in transactions between related parties. 6) There is a disposal of long-term assets from/to related parties without commercial justification 7) There is no reasonable justification for transactions between related entities.

Sources: Azzura (2019), Mispiyanti's (2015), OECD (2006), Tax Justice Network (2005), Financial Stability Forum (2000), Irawan and Ulinulla (2022), Richardson *et al*., (2013), Waworuntu & Hadisaputra (2016) and Firmansyah & Yunidar (2020).

Model Specification

We test the hypotheses by constructing a regression models using EViews 12 software, with TAVOID as the dependent variable and ETR, TH, and TP as the independent variables.

The model in this study is determined as follows.

TAVOID = α + β1XETR + β2XTH + β3XTP + e …..1

Where:

TAVOID = The score of the analysis of these Tax Court's decision regarding the transfer pricing case decisions which will be assessed based on the sound of the verdict, a decision that rejects a taxpayer's appeal, the score will be 2, a decision that accepts a portion of the taxpayer's appeals, the score will be 1 and for a decision that accepts the entire Taxpayer's appeal request, it will be assessed as 0.

ETR = Effective Tax Rate

TH = Dummy variable from the existence of transactions with a related parties in tax haven countries on, 1 if the company own at least one transaction with related party in tax haven country, 0 if otherwise

TP = Transfer pricing aggressiveness on company

e = Error or other variables effect

RESULTS

Descriptive Statistics

Data analysis in this research uses descriptive statistics and multiple regression analysis. Analysis of the data obtained in this research will use the help of computer technology, namely the Eviews 12 application program.

The results of the statistics descriptive of the data in this study are shown in table 3. Tax avoidance variable is measured by using the score of the analysis of these Tax Court's decision regarding the transfer pricing case decisions which will be assessed based on the sound of the verdict. The amount of each decision is shown in Table 4.

Table 3: Statistics descriptive

	TAVOID	TP	ETR	TH
Mean	0.852174	0.263391	0.303652	0.591304
Median	1.000000	0.290000	0.270000	1.000000
Maximum	2.000000	0.710000	0.630000	1.000000
Minimum	0.000000	0.000000	0.100000	0.000000
Std. Dev.	0.840253	0.193780	0.093502	0.493744
Skewness	0.283148	0.495226	1.416900	-0.371463
Kurtosis	1.485231	2.393158	5.076970	1.137985

Source: Processed Data, 2023

Table 4: Tax Court Decision

Type of Decision	Total	Percentage
Reject	50	43,5%
Accepts a Portion	32	27,8%
Accepts the Entire	33	28,7%
Total Sample Verdict	115	100%

Source: Processed Data, 2023

Table 5: Hypothesis Result

Variables Connection	Observation	Prob
ETR to TAVOID	115	0.4997
TH to TAVOID	115	0.0125
TP to TAVOID	115	0.0000

Source: Processed Data, 2023

Based on the table 5 above as relationship result, it can be explained as follows:

1) The Prob value of the ETR variable is 0.4997, which is not significant at α 5%. Because the probability value is > 0.05, it can be seen that the tax rate (X1) has no significant effect on tax avoidance practices (Y).
2) The Prob value of the TH variable is 0.0125 which is significant at α 5%. Because the probability value is <0.05, it can be seen that tax haven (X2) has a significant effect on tax avoidance (Y).
3) The Prob value of the TP variable is 0.0000 which is significant at α 5%. Because the probability value is <0.05, it can be seen that transfer pricing aggressiveness (X3) has a significant effect on tax avoidance (Y).

DISCUSSIONS

Effective Tax rate and tax avoidance

Based on the results of this research, the effective tax rate has an insignificant positive effect on corporate tax avoidance. The effective tax rate or tax burden borne by the companies in this sample, whose transfer pricing disputes have been decided by the Indonesian Tax Court, which is higher than the Indonesian Corporate Income Tax tax rate (25%) turns out to have a positive but not significant effect on tax avoidance. In other words, the effective tax rate or tax burden of sample companies at an average of 29% in this study is not enough to be used as a motive to carry out tax avoidance practices.

The results of this research are in line with the research of Aronmwan & Okaiwele (2020) in Nigeria and Saka Chika (2019) in Japan, but are different from the research of Dessi Pertiwi (2016) in Indonesia, the results of Drake K's (2020) research on companies in America. Although the proxies used to assess tax avoidance are different, Aronmwan's research in Nigeria used a survey regarding the relationship between high tax rates and tax avoidance coupled with the impact of sanctions and fines, and Dessi Pertiwi's research in Indonesia also used questionnaires to collect perceptions. from tax avoidance. what happened in Indonesia. Meanwhile, in this research, tax avoidance uses a proxy for the proven decision of a Tax Court Judge in deciding tax case disputes in Indonesia at the appeal level in accordance with Law Number 14 of 2022 concerning the Tax Court.

Then from this research, it was found that the average effective tax rate of the sample companies was higher (on average at 29%) than the statutory tax rate in force in Indonesia (25%) and could not influence management to avoid tax. This is understandable because most of the sample companies have been tested for tax compliance because they are registered with the Special Jakarta DJP Regional Office, where they will almost certainly be examined every year, especially examinations related to their special relationship transactions with affiliated parties (examinations related to transfer pricing transactions).

The fairly high average ETR in this study also shows that the companies in this sample are very active in doing business with outside parties so that their tax debt is quite high but they remain compliant in continuing to fulfill their tax obligations.

Occurance of transactions with related parties in tax haven countries and tax avoidance

This research shows that transactions with tax haven countries have a positive effect on corporate tax avoidance. In other words, companies that conduct transactions with related parties in tax haven countries have a higher tendency to avoid taxes by using transfer pricing schemes.

The results of this research are in line with research by Gravelle (2015), Riedel (2010) in England and Taylor e Richardson (2012) in Australia but contradict the results of research conducted by Gumpert A (2016) on companies in Germany. Even though the proxies used are different, namely using dummy 1 if the company has at least 1 subsidiary in a Tax Haven country (OECD, 2006) and dummy 0 otherwise, it provides consistent results, namely that Tax Haven has a positive effect on practice. Research conducted by Widodo L (2020) in Indonesia also shows that Tax Haven results have a significant effect on tax avoidance practices.

Specifically for this research, the tax haven that is the most popular destination is Singapore. Even though it has been explained above that the majority of sample companies are affiliated with companies in Japan, it turns out that the majority of these companies have transacting parties located in Japan. This fact shows that even though the majority of these companies comply with paying taxes at fairly high rates in Indonesia, on the other hand some of these companies still have tax plans by placing intermediary companies located in Singapore.

Singapore is indeed preferred over other countries around it because of the large number of multinational companies that have offices in that country. Apart from that, the lack of open access to finance in this country is apparently quite attractive for companies trying to avoid taxes. In addition, Singapore's economic strength, diplomacy and visas increase confidence regarding financial security for parties who will place their funds or profits in that country. Even though there is now a Double Taxation Avoidance Regulation (P3B) which almost eliminates differences in tax rates between countries and the imposition of double taxation, the various financial facilities offered by Singapore in fact still encourage many multinational companies to base their representatives in that country.

Transfer pricing aggressiveness and tax avoidance

Based on the research results, transfer pricing aggressiveness has a significant positive effect on corporate tax avoidance. The high aggressiveness of transfer pricing has a positive and significant effect on corporate tax avoidance practices. In other words, companies that have high transfer pricing aggressiveness are more likely to carry out tax avoidance practices.

The results of this research are in line with research by Sebele (2021) in Zimbabwe and Amidu, Coffie, & Acquah (2019) in Ghana. Even though the proxies used are different, namely using dummy 1 if the company carries out transactions with related parties and dummy 0 otherwise, it gives similar results, namely that the aggressiveness of transfer pricing has a positive effect on tax avoidance practices. Meanwhile, in Indonesia itself, there has been a lot of research on the relationship between transfer pricing and tax avoidance practices. The same results as the conclusions of this research were produced from research conducted by Taylor & Richardson (2012), Dharmawan, Djaddang, & Darmansyah (2017), Amidu, Coffie, & Acquah (2019), Turwanto (2022), and Angel M (2022). Meanwhile, research that gave the opposite results was conducted by Panjalusman (2018), Falbo & Firmansyah (2018), Widiyantoro & Sitorus (2020), and Pangaribuan *et al*., (2021).

This research tries to describe the aggressiveness of transfer pricing by examining 7 (seven) factors related to the sample company's TP Doc documentation, information about which can only be obtained from the sample company's annual SPT which is highly confidential and based on analysis. in the results of court decisions. Information related to TP Doc and transfer pricing transactions will be difficult to obtain if you only rely on published financial reports because they relate to a company's business strategy and tax planning which will not be disclosed to the general public.

Apart from that, assessments related to tax avoidance practices are very difficult to determine if only judging from the financial ratios of a company because tax avoidance actions must have a clear tax legal basis and evidence (at least 2 pieces of evidence) in order to be carried out. prove that a company has actually violated the provisions of tax regulations and committed tax avoidance. It is hoped that with the court decision which is one measure of tax avoidance, the results of this research will be closer to the facts that occur in the field, especially for transfer pricing cases which are followed by legal action.

Tax avoidance through aggressive transfer pricing reflects the consideration of the Panel of Judges in deciding an appeal dispute or lawsuit related to tax avoidance practices. Likewise at the audit level, where the more aggressive a company is in its transfer pricing policy, the easier it will be to find corrections because transfer pricing corrections can result in quite large corrections.

The final conclusion of this research is that the aggressiveness of transfer pricing will be related to the tax planning of capital owners of a company that is outside Indonesian law. For this reason, the nationalist spirit of the Panel of Judges will be further stimulated so that profits in Indonesia do not become rampant so that it will bring down the wheels of the economy in Indonesia. For this reason, if a multinational company really wants to transfer its profits abroad, then all formalities and guidelines for tax regulations in Indonesia must be fulfilled with full responsibility in order to comply with the Application of the Principle of Fairness in Business (PPKU) and in accordance with the Arm's Length principle. as has been guided by the OECD.

CONCLUSIONS AND RECOMMENDATIONS

Based on the discussion, this research found several important results. First, the Effective Tax Rate or company tax burden in one tax year has a positive but not significant effect on tax avoidance practices by companies that have made appeals to the Tax Court which is the sample in this study. This shows that the existence of an effective tax rate (with an average ETR of 29% which is higher than the tax rate according to the applicable Corporate Income Tax Law of 25%) is not a strong motive or reason for the sample companies to carry out evading taxes or transferring profits to the parent country illegally, unless there are other factors that are stronger as a motive to evade taxes.

Second, tax havens are still the main alternative for companies to avoid taxes when carrying out transfer pricing activities. Tax havens, especially Singapore, provide many things that multinational companies need to minimize taxes such as confidentiality of information and low tax rates. This facility supports multinational companies to avoid taxes in source countries by reallocating their income to tax haven countries.

Lastly, transfer pricing is often used by companies to take action to avoid taxes because it is very easy for companies to transfer very large amounts of their profits to the country where the parent company is located. Just by setting a transfer pricing policy by hiring experts in the field of transfer pricing, a company can transfer several percent of its profit value to its parent country without requiring additional efforts such as practicing tax avoidance in other ways.

The limitations in conducting this research are due to the information contained in the Financial Report, Court Decisions and TP Document summaries from the company not necessarily reflecting actual activities because everything must be tested for suitability both with supervision and inspection activities. What is produced from this research is only an indication of the existence of appeals or lawsuits at the Tax Court which still require further action to provide results that are in accordance with the facts case by case.

The use of cross section data used in this research is still less reliable when compared to the use of panel data. However, using panel data by analyzing each tax court decision is difficult because it is not certain that the same company has filed an appeal in the following or previous years regarding transfer pricing cases. In addition, population sampling from the appeal and lawsuit process at the Tax Court, which only represents around 2% of the production of tax assessment letters in Indonesia for one year, is still far from depicting the real conditions related to the practice of tax avoidance through transfer pricing mechanisms in the field.

For further research, we can expand the research sample by using different proxies for the tax rate, tax haven, transfer pricing aggressiveness and tax avoidance variables so that we can provide an overview of variations in research methods. And it is also hoped that the sample used is panel data and uses a larger data sample so that it can overcome any anomalies and the results are closer to the facts in the field.

APPENDIX

Table 6: Summary of Research Variables

NO	SAMPLE NAME	TAHUN	TAVOID	TP	ETR	TH
1	AATP	2017	1	14%	46%	1
2	ABPT	2019	1	14%	33%	0
3	ABSI	2016	2	43%	49%	0
4	AFIN	2014	2	43%	26%	1
5	AGBN	2016	2	57%	18%	1
6	AGIM	2015	1	29%	16%	1
7	AGIN	2018	1	29%	26%	1
8	ASGI	2019	1	29%	24%	0
9	AIRP	2015	2	57%	23%	0
10	ASCM	2015	2	43%	26%	1
11	ATIN	2016	2	43%	34%	1
12	ATMS	2015	1	43%	50%	0
13	BCSL	2016	2	71%	25%	0
14	BMCC	2019	1	29%	25%	0
15	BMSI	2018	2	57%	25%	1

NO	SAMPLE NAME	TAHUN	TAVOID	TP	ETR	TH
16	BSRR	2019	1	29%	32%	1
17	CDGI	2016	1	29%	27%	1
18	CJLI	2019	1	14%	21%	1
19	CMWI	2019	2	29%	37%	1
20	CPSI	2016	2	57%	37%	1
21	CYII	2016	1	14%	54%	0
22	DASI	2015	1	29%	29%	1
23	DMNF	2015	2	57%	21%	1
24	EPSI	2019	2	57%	25%	0
25	ESNT	2019	1	29%	24%	1
26	ESTR	2016	1	29%	28%	0
27	EXLI	2016	1	29%	25%	1
28	FECI	2015	2	43%	37%	0
29	FJTN	2016	1	29%	42%	0
30	FSIN	2019	2	43%	26%	1
31	FTIE	2016	2	57%	25%	1
32	FTRI	2014	1	43%	28%	0
33	FUPT	2019	2	29%	26%	0
34	GHLI	2015	2	71%	63%	0
35	GIND	2015	2	71%	25%	1
36	HGYI	2014	1	29%	42%	1
37	HIND	2015	1	29%	33%	1
38	HLKI	2015	2	57%	49%	1
39	HMLS	2015	2	57%	26%	0
40	HNDO	2016	2	29%	29%	1
41	HPEI	2016	2	29%	24%	1
42	HREI	2015	1	29%	20%	0
43	HSSI	2015	1	29%	27%	0
44	HYTI	2016	1	29%	36%	1
45	IMNT	2015	1	43%	52%	1
46	ISTM	2017	2	43%	34%	1
47	JSJK	2017	2	43%	48%	1
48	KRIN	2015	1	29%	10%	1
49	KSIN	2019	1	29%	26%	0
50	KSWR	2018	2	57%	29%	1
51	KTIN	2019	1	43%	25%	1
52	KTTR	2015	2	57%	25%	1
53	KUIN	2014	2	57%	62%	1
54	KUTI	2017	1	29%	26%	1
55	LIND	2014	1	29%	32%	0
56	LOCM	2014	2	71%	25%	0
57	LVIN	2019	2	43%	28%	1
58	MAPI	2015	2	57%	28%	1
59	MAPI	2018	2	43%	28%	1
60	MCIN	2019	2	43%	25%	1
61	MCTN	2019	1	29%	25%	1
62	MECI	2018	1	29%	45%	0
63	MIKA	2019	2	43%	39%	1
64	MIZU	2014	1	29%	29%	1
65	MKAI	2015	1	29%	42%	0
66	MOLI	2019	0	14%	30%	0
67	MSDP	2014	0	14%	25%	0
68	MTSB	2019	0	14%	25%	1
69	MWIN	2015	0	14%	22%	0
70	NGKC	2017	0	14%	17%	1
71	NIIN	2019	0	14%	27%	1

NO	SAMPLE NAME	TAHUN	TAVOID	TP	ETR	TH
72	NMIN	2014	0	14%	25%	0
73	NSBI	2019	0	14%	26%	1
74	NSKB	2019	0	14%	48%	1
75	NTAI	2014	0	14%	22%	1
76	NTII	2017	0	14%	25%	0
77	NTLI	2019	0	14%	25%	0
78	OGWI	2017	0	14%	27%	1
79	OSRI	2015	0	14%	25%	1
80	PAXI	2015	0	0	25%	1
81	PCOI	2018	0	0	38%	1
82	PKKI	2014	0	0	25%	1
83	PMRI	2014	0	14%	22%	1
84	PPMI	2019	0	14%	26%	1
85	PSTI	2014	0	14%	38%	1
86	PTAD	2016	0	14%	24%	1
87	QIIN	2019	0	14%	30%	0
88	SCIN	2019	0	14%	58%	0
89	SCTI	2014	0	0	25%	0
90	SDKS	2019	0	0	25%	1
91	SEPIN	2014	0	0	29%	1
92	SGWI	2014	0	0	38%	1
93	SHDI	2014	0	0	33%	0
94	SMLT	2016	0	0	27%	0
95	SRIN	2019	0	0	28%	0
96	SSCI	2015	0	14%	30%	0
97	SSTI	2019	0	0	25%	1
98	STSI	2017	0	0	23%	0
99	SWKS	2016	0	14%	41%	0
100	TECI	2015	0	0	29%	1
101	TKRI	2019	0	0	26%	1
102	TPWI	2016	0	0	27%	0
103	TRAH	2019	0	14%	36%	0
104	TTME	2019	0	0	29%	1
105	TUPI	2019	0	0	28%	1
106	UCIN	2016	0	0	29%	1
107	UNCI	2019	0	14%	35%	0
108	UNPI	2015	0	14%	25%	1
109	USCI	2018	0	14%	36%	0
110	VIIN	2019	0	14%	36%	0
111	YIND	2017	0	14%	26%	0
112	YKKZI	2019	0	14%	29%	0
113	YMIN	2019	0	14%	25%	0
114	YUSI	2016	0	14%	24%	0
115	ZAIS	2019	0	14%	26%	1

Source: Data Processed, 2023

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