The Effect of Profitability, Leverage, and Transfer Pricing on Tax Avoidance (Empirical study of Mining Sector Companies listed on the Indonesia Stock Exchange (BEI) for the period 2017-2022)

Langen Anggiyanti1*, Feber Sormin1

1Faculty of Economics and Business, Mercu Buana University, Jakarta, Indonesia

*Corresponding Author: Langen Anggiyanti
Faculty of Economics and Business, Mercu Buana University, Jakarta, Indonesia

Abstract: The research objective is to test and analyze the influence of profitability, leverage and transfer pricing on tax avoidance with an empirical study of mining sector companies listed on the Indonesia Stock Exchange for the 2017-2022 period. The research uses quantitative methods to examine secondary data obtained from the company’s annual financial reports via the official website of the Indonesian Stock Exchange and the company website. Sampling used a purposive sampling technique, a sample of 20 companies and 120 data observations. The data analysis method used was multiple linear regression analysis with data processing software used by the SPSS 22 program. The research results proved that profitability, leverage had a significant negative effect on tax avoidance, and transfer pricing had a significant positive effect on tax avoidance. The benefits of research become a reference for practical contributions for companies, material for consideration for the government, and input for teaching about taxation, as well as a scientific reference for future researchers.

Keywords: Profitability, Leverage, Transfer Pricing, Tax Avoidance.

A. INTRODUCTION

According to Law no. 28 of 2007 Tax is a mandatory contribution to the state owed by an individual or entity that is coercive based on the law, without receiving direct compensation and is used for state needs for the greatest prosperity of the people. Based on data on the realization of tax revenues for 2017-2022, it shows that achievements have increased and decreased or fluctuated from 2017 to 2020 for four years, (89.4%, 92.41%, 84.44%, 89.25%) while in 2021 and 2022 shows achieving the tax realization target of 103% and 114%, but this is not followed by the level of taxpayer compliance, which in 2021 is only 84.07% and the level of compliance in 2022 is only 83.2% (source: Annual Report data DJP).

In 2017, tax revenue growth in the mining sector was 40.2%. A year later there was an increase of 49.4%. However, in 2019 mining sector tax revenues decreased again by 20.6%. The decline in tax revenues in the mining sector grew to -43.7% in 2020 due to the Covid-19 virus pandemic. However, in 2021 there was an increase of 60.52% and in 2022 there was a quite significant increase of 113.60%.

The government is trying to increase and optimize state revenues through taxes to finance state administration, but according to Dewanti & Sujana (2019) most taxpayers try to pay as little tax as possible, because paying taxes will reduce income or profits. These differences in interests can lead to tax avoidance practices carried out by taxpayers to minimize the tax burden. It is indicated that the realization of the tax revenue target has not been achieved and there are fluctuations in tax revenue due to the Covid-19 Virus pandemic and indications of tax avoidance practices. Tax avoidance is an action to legally minimize the tax burden because it is still within the applicable tax provisions, however, according to Hidayat & Wijaya (2021) this action is an action that violates ethical principles because tax avoidance will have an...
impact on reducing state revenues. The possibility of the emergence of tax avoidance practices is that there are transactions between parties who have good relationships within the country and abroad which are carried out using a transfer pricing scheme, which has an impact on reducing state revenues.

Tax Avoidance is an effort to avoid taxes that is carried out legally and safely for taxpayers without conflicting with the applicable tax provisions (not contrary to the law) where the methods and techniques used tend to take advantage of existing weaknesses (gray areas), contained in the Tax Law & Regulations themselves to reduce the amount of tax owed (Pohan, 2019). In Indonesia there is a self-assessment tax collection system regulated in Article 12 Paragraph (1) of Law no. 6 of 1983. In this system the government gives full trust to taxpayers to calculate, pay and report the amount of tax owed. The existence of these tax regulations creates a loophole for taxpayers to avoid taxes because the activity of calculating the amount of tax owed and the payment of the amount of tax owed is carried out by the taxpayer himself. Several researchers have conducted research on tax avoidance practices based on various factors which are indicated as causes of tax avoidance practices. These factors include profitability, leverage, capital intensity, earnings management, company size, corporate social responsibility, sales growth, corporate governance, institutional ownership, transfer pricing, and foreign ownership and others.

One of the factors that influence tax avoidance according to Sormin (2019) is profitability. The size of the profitability obtained by the company will indicate the greater or smaller the profit or loss obtained by the company. Companies that have large profits tend to utilize tax avoidance techniques to minimize the amount of tax burden that must be paid. Based on previous research by Sormin (2019); Mahdiana & Amin (2020) show that profitability has a positive effect on tax avoidance. However, research conducted by Rifai & Atiningsih (2019); Dewanti & Sujana (2019) show that profitability has a negative effect on tax avoidance.

Another variable that influences tax avoidance according to Selviani et al., (2019) is leverage. The greater the level of leverage in a company, the greater the debt interest costs, resulting in a tax reduction. So a company can use leverage to avoid taxes in order to minimize the tax burden. Based on previous research by Selviani et al., (2019); Khomsiyah et al., (2021) show that leverage has a positive effect on tax avoidance. However, research conducted by Umar et al., (2021); Badoa (2020) shows that leverage has a negative effect on tax avoidance.

Transfer pricing is one of the factors that can be used to carry out tax avoidance practices, especially in multinational companies that carry out international transactions. Because it is done by transferring profits to related companies in countries that apply low tax rates. Based on previous research by Sadeva et al., (2020); Panjalusman et al., (2022) show that transfer pricing has a positive effect on tax avoidance. However, research conducted by Irawan et al., (2020); Hasyim et al., (2023) show that transfer pricing has a negative effect on tax avoidance.

The results of research on gap phenomena and research gaps as well as the problems described have motivated the author to carry out research again with different samples with the aim of gaining knowledge and increasing understanding related to tax avoidance in mining sector companies to conduct research on "The Influence of Profitability, Leverage and Transfer Pricing "Regarding Tax Avoidance Practices in Mining Sector Companies Listed on the Indonesia Stock Exchange (BEI) for the 2017-2022 Period."

B. LITERATURE REVIEW

B.1 Agency Theory

Agency theory was first pioneered by Jensen & Meckling (1976). According to him, agency theory describes an agency relationship in which one party (principal) delegates work authority and decision-making authority to another party (agent) who then completes the work on behalf of the principal. Tax avoidance from an agency theory perspective is influenced by a conflict of interest between the manager (agent) and the shareholder (principal) which arises when each party tries to achieve or maintain the prosperity they desire. Managers (agents) try to minimize taxes by avoiding taxes to get high company value.

Profitability from an agency theory perspective is that the large profitability value can encourage managers (agents) to take tax avoidance actions. Because profitability is a measure of management's success in managing the company, which is shown in the profits generated. The higher the profit generated, the higher the company's profitability (Hitijahubessy et al., 2022). Leverage as measured by the Debt to Equity Ratio (DER) has a close relationship with tax calculations. The greater the value of the Debt to Equity Ratio (DER), the greater the debt interest costs which will result in a reduction in the tax burden. So that it can be used by managers (agents) to avoid taxes by reducing the size of the tax burden from the debt. Transfer Pricing from an agency theory perspective means that there are differences in interests between managers and the government regarding tax payments (Putri & Nurhayati, 2022). Companies that have special relationships with other companies can set the transfer price for a transaction. Determining transfer prices indicates that
there is a mode of manipulation of price deviations carried out by a company with related companies that apply lower tax rates to carry out tax avoidance actions.

B.2 Tax Avoidance

Tax avoidance is an effort used to reduce the amount of tax owed with the methods or techniques used tend to exploit weaknesses (gray areas) contained in Tax Laws & Regulations so that these efforts are legal and safe for taxpayers. Without conflicting with applicable tax provisions (Pohan, 2019). Tax avoidance according to Aronmwan & Okafor (2019) can be measured using the Current Effective Tax Rate (Current ETR). Current ETR is used to describe tax avoidance activities by the Company, and Current ETR is calculated from the current tax burden and the company's profit before tax. The lower the Current ETR value, the higher the level of tax avoidance carried out by the company.

B.3 Profitability Ratio

Profitability is a company's ability to earn profits during a certain period with the capital or assets owned by the company (Siregar, 2021). Profitability is a measure of management's success in managing the company as shown by the profits generated. The higher the profit generated, the higher the company's profitability (Hitijahubessy et al., 2022). Researchers use Return on Assets (ROA) as an indicator in calculating the value of profitability. A large profitability value can encourage a company to take tax avoidance actions by minimizing its tax burden. Return On Assets (ROA) can be calculated using the formula after tax earnings divided by total assets multiplied by 100% (Sormin, 2019).

B.4 Transfer Pricing

Transfer pricing is the price calculated under conditions based on the arm's length price principle for the delivery of goods/services or other intangible assets from one company to another company with which it has a special relationship (Pohan, 2019). Transfer pricing activities indicate that there is a mode of manipulation of price deviations carried out by engineering the sales price, purchase price, allocation of administrative costs, overhead costs, interest charges, commission payments, franchise licenses, rent, royalties, compensation for services and purchase of company assets by the holder of shares (owners) or related parties who apply a tax rate lower than the market price. So this creates an opening for managers to take tax avoidance actions. Transfer pricing can be measured by related trade receivables divided by total receivables. The higher the transfer pricing value will cause increased tax avoidance.

C. CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

C.1.1 The Effect of Profitability on Tax Avoidance

Profitability is a company's ability to earn profits during a certain period with the capital or assets owned by the company (Siregar, 2021). Profitability is a measure of management's success in managing the company as shown by the profits generated. The higher the profit generated, the higher the company's profitability (Hitijahubessy et al., 2022). In connection with agency theory, the large value of profitability can encourage managers (agents) to take tax avoidance actions. This is in line with the results of research conducted by Mahdiana & Amin (2020); Sormin (2019) shows that profitability has a positive effect on tax avoidance. Based on the explanation above, the researcher uses the following hypothesis:

H1: Profitability has a positive effect on tax avoidance.

C.1.2 The Effect of Leverage on Tax Avoidance

Leverage is a financial ratio that measures a company's ability to fulfill its long-term obligations such as interest payments on debt, final principal payments on debt and other fixed obligations (Ahmad, 2022). In connection with agency theory, the greater the value of the leverage ratio, the greater the tax avoidance. So that it can be used by managers (agents) to avoid taxes by reducing the size of the tax burden from the debt. This is in line with the results of research conducted by Selviani et al., (2019); Khomsiyah et al., (2021) show that leverage has a positive effect on tax avoidance. Based on the explanation above, the researcher uses the following hypothesis:

H2: Leverage has a positive effect on tax avoidance.
C.1.3 The Effect of Transfer Pricing on Tax Avoidance

Transfer pricing is the price calculated under conditions based on the arm’s length price principle for the delivery of goods/services or other intangible assets from one company to another company with which it has a special relationship (Pohan, 2019). In connection with agency theory, companies that have special relationships with other companies can set the transfer price for a transaction. Determination of transfer prices indicates that there is a mode of manipulation of price deviations carried out by a company with related companies that apply lower tax rates. So this becomes a gap for managers to take tax avoidance actions. This is in line with the results of research conducted by Sadeva et al., (2020) and Panjalusman (2022) showing that transfer pricing has a positive effect on tax avoidance. Based on the explanation above, the researcher uses the following hypothesis:

H3: Transfer pricing has a positive effect on tax avoidance.

D. RESEARCH METHOD

D.1 Research Design

The research design uses quantitative analysis with secondary data from the annual financial reports of mining sector companies listed on the IDX from 2017 to the end of 2022. The aim of the research is to examine the causal influence relationship between the variables profitability, leverage and transfer pricing as independent variables with tax avoidance as the dependent variable. Sampling in this research was carried out using purposive sampling. Purposive sampling is a technique used to determine samples using special criteria. There are 20 companies that meet the criteria with 6 years of research. So the total sample used was 120.

D.2 Variable Measurement

Based on the operational definition presented in the previous explanation, it can be briefly explained in the table related to variable measurement, namely as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Variable</th>
<th>Indicator</th>
<th>Measurement Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tax Avoidance</td>
<td>Current ETR = Current Tax Burden / Profit before tax</td>
<td>Rasio</td>
</tr>
<tr>
<td>2</td>
<td>Profitability</td>
<td>ROA = (Earning After Tax / Total Assets) x 100%</td>
<td>Rasio</td>
</tr>
<tr>
<td>3</td>
<td>Leverage</td>
<td>DER = (Total Debt / Total Equity) x 100%</td>
<td>Rasio</td>
</tr>
<tr>
<td>4</td>
<td>Transfer Pricing</td>
<td>TP = Accounts Receivable to Related Parties / Total Receivables</td>
<td>Rasio</td>
</tr>
</tbody>
</table>

E. RESULT AND DISCUSSION

E.1 Descriptive Statistical Test

Descriptive statistical tests can provide an overview or description of data so that it can provide information that is easy to understand in the analysis and interpretation process. The descriptive statistical test obtained shows that the tax avoidance variable is proxied by Current ETR, the Leverage variable is proxied by Debt to Equity Ratio (DER), the transfer pricing variable shows that the average value is higher than the deviation value, meaning that the distribution of research data is homogeneous or The research data is well distributed, while the profitability variable which is proxied by Return on Assets (ROA) shows that the average standard is slightly lower than the standard deviation.
E.2 Classic Assumption Test

The classical assumption test aims to obtain clarity regarding the reliability of the data from the regression equation. A good regression model equation is a model that passes the classical assumption test. The conditions that must be met in the normality test are that the data is normally distributed. In the multicollinearity test the data does not contain multicollinearity and in the heteroscedasticity test the data does not contain heteroscedasticity.

E.2.1 Normality Test

The normality test can be used to test whether the residual values obtained in the regression are normally distributed or not (Priyastama, 2020). Decision making in the normality test is if the value of Asymp. Sig > 0.05, then the data is normally distributed. However, if the value of Asymp. Sig < 0.05, then the data is not normally distributed. The results of the first normality test were not normally distributed, so it was not suitable for further testing. According to Ghozali (2018) outliers are one of the methods used to overcome data that is not normally distributed. Therefore, researchers carry out outliers on independent and dependent variables that are not normally distributed. The results of the normality test after outliers are as follows:

Table E.1: Normality Test Results After Outliers

<table>
<thead>
<tr>
<th>One-Sample Kolmogorov-Smirnov Test</th>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>82</td>
</tr>
<tr>
<td>Normal Parametersa,b</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>.0000000</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>.07603795</td>
</tr>
<tr>
<td>Most Extreme Differences</td>
<td></td>
</tr>
<tr>
<td>Absolute</td>
<td>.092</td>
</tr>
<tr>
<td>Positive</td>
<td>.048</td>
</tr>
<tr>
<td>Negative</td>
<td>-.092</td>
</tr>
<tr>
<td>Test Statistic</td>
<td></td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.084c</td>
</tr>
</tbody>
</table>

Source: Author processed data using SPSS 22

Based on table 4, it shows that the Asymp. Sig. equal to 0.084 > 0.05 So it can be concluded that the data is normally distributed so it is suitable for further testing. This normality assumption was fulfilled after 38 data outliers were carried out due to the presence of extreme value data.

E.2.2 Multicollinearity Test

Multicollinearity is the finding of perfect or near perfect correlation between independent variables in the regression model (Priyastama, 2020). The multicollinearity test can be detected if the tolerance value is > 0.10 and the VIF value is < 10, meaning that multicollinearity does not occur. However, if the tolerance value is <0.10 and the VIF value is > 10, it means that multicollinearity has occurred. The results of the multicollinearity test in this study can be seen in table 5 as follows:

Table E.2: Multicollinearity Test Results

<table>
<thead>
<tr>
<th>Coefficientsa</th>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.148</td>
<td>.025</td>
<td></td>
<td>5.819</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Profitabilitas</td>
<td>.283</td>
<td>.109</td>
<td>.285</td>
<td>2.598</td>
<td>.011</td>
<td>.873</td>
</tr>
<tr>
<td>Leverage</td>
<td>.063</td>
<td>.020</td>
<td>.345</td>
<td>3.170</td>
<td>.002</td>
<td>.887</td>
</tr>
<tr>
<td>Transfer Pricing</td>
<td>-.069</td>
<td>.054</td>
<td>-.134</td>
<td>-1.274</td>
<td>.206</td>
<td>.951</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Penghindaran Pajak

Source: Author processed data using SPSS 22

Based on table 4, it shows that all variables have a tolerance value > 0.10 or VIF < 10 so it can be concluded that there is no multicollinearity in the regression model.

E.2.3. Heteroscedasticity Test

The heteroscedasticity test aims to see in the regression model whether there is an inequality of variance from one observation to another. In this research, the Park Test was used. If the significance value is > 0.05, then there is no heteroscedasticity. However, if the significance value is <0.05, then there is heteroscedasticity. The following are the results of the heteroscedasticity test in this study:
Table E.3: Heteroscedasticity Test Results (Park Test)

<table>
<thead>
<tr>
<th>Coefficientsa</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>-.6030</td>
<td>.728</td>
<td>-8.280</td>
<td>.000</td>
</tr>
<tr>
<td>Profitabilitas</td>
<td>-.5066</td>
<td>3.115</td>
<td>-.193</td>
<td>-1.626</td>
</tr>
<tr>
<td>Leverage</td>
<td>.081</td>
<td>.567</td>
<td>.017</td>
<td>.142</td>
</tr>
<tr>
<td>Transfer Pricing</td>
<td>.596</td>
<td>1.537</td>
<td>.044</td>
<td>.388</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LN_RES.

Source: Author processed data using SPSS 22

Based on table 5, it shows that all independent variables have a significance value > 0.05. So there are no symptoms of heteroscedasticity in this study.

E.2.4 Autocorrelation Test

The autocorrelation test aims to test whether there is a correlation between the residuals in period t and the residuals in the previous period (t-1). One way to detect the presence or absence of autocorrelation in the regression model is to use the Durbin-Watson test. The regression model can be said to be good if there is no autocorrelation. The condition for the absence of autocorrelation is $d_U < d < 4 - d_U$. The results of the initial autocorrelation test based on Durbin Watson's decision making requirements in the first test regression model contained autocorrelation in this study. According to Ghozali (2018) the Cochrane Orcutt test is a method used as a way to treat autocorrelation. Then the test was carried out again using a different method using the Cochrane Orcutt test, and the following are the results of the Cochrane Orcutt test for this study:

Table E.4: Autocorrelation Test Results (Cochrane Orcutt Test)

<table>
<thead>
<tr>
<th>Model Summaryb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Lag_X3, Lag_X1, Lag_X2

b. Dependent Variable: Lag_Y

Source: Author processed data using SPSS 22

Based on the results of the Cochrane Orcutt test in table 8, it is known that the DW (Durbin-Watson) value is 2.009. In this study, the number of samples (n) was 82 and the number of independent variables was 3 with a significance value of 5%. Based on the Durbin Watson table, the dL value is 1.5663 and dU is 1.7176, a recalculation is carried out to find the value $4 - d_U = 4 - 1.7176 = 2.2824$. The results of the autocorrelation test show a value of $1.7176 < 2.009 < 2.2824$. So it can be concluded based on Durbin Watson's decision making requirements that in the regression model there is no autocorrelation in this study.

E.3. Model Suitability Test (R2 Determinant Coefficient Test).

The coefficient of determination (R2) is a test method carried out to see the magnitude of the relationship which shows whether changes in the independent variable will be followed by the dependent variable in the same proportion.

Table E.5: Test Results for the Coefficient of Determination R2

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Transfer Pricing, Leverage, Profitabilitas

Source: Author processed data using SPSS 22

Based on table 9, the adjusted R square value is 0.698 or 69.8%. This shows that the variables profitability, leverage and transfer pricing can influence tax avoidance by 69.8%. Meanwhile, the remaining 30.2% (100%-69.8%) is explained by other variables outside the regression model in this study. The Standard Error of the Estimate (SEE) value obtained is 0.02325, meaning that the smaller the SEE value, the more accurate the regression model will be in predicting the dependent variable.
F.4 Hypothesis Testing

F.4.1 Simultaneous Significance Test (F Statistic)

The F statistical test is used to determine whether the independent variables jointly or simultaneously have an effect on the dependent variable. The basis for making decisions to test this hypothesis is that if the significance value of the F test is <0.05, then all independent variables together have an effect on the dependent variable. However, if the significance value of the F test is > 0.05, then all independent variables together have no influence on the dependent variable. The following are the results of the F statistical test of this research:

<table>
<thead>
<tr>
<th>ANOVA*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

- a. Dependent Variable: Penghindaran Pajak
- b. Predictors: (Constant), Transfer Pricing, Leverage, Profitabilitas

Source: Author processed data using SPSS 22

Based on table 10, it shows an F value of 9.927 with a significance value of 0.000. When compared with a significance value of 0.05, it means (0.000 < 0.05). So it can be concluded that profitability, leverage and transfer pricing together influence tax avoidance.

F.4.2 Individual Parameter Significance Test (t Test)

The t statistical test is a method for detecting how much influence an independent variable individually has in explaining variations in the dependent variable. The basis for making decisions to test this hypothesis is that if the significance value of the t test is <0.05, then the independent variables individually have an effect on the dependent variable. However, if the significance value of the t test is > 0.05, then the independent variables individually have no effect on the dependent variable. Following are the results of the t statistical test:

<table>
<thead>
<tr>
<th>Coefficients*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>Profitabilitas</td>
</tr>
<tr>
<td>Leverage</td>
</tr>
<tr>
<td>Transfer Pricing</td>
</tr>
</tbody>
</table>

- a. Dependent Variable: Penghindaran Pajak

Source: Author processed data using SPSS 22

Based on the results of the t statistical test in table 11 above, it can be explained as follows:

1. The profitability variable (X1) has a t value of 2.359 with a significance value of 0.021 < 0.05 and a regression coefficient value of 0.241 with a positive direction. This shows that the profitability variable has a significant positive effect on tax avoidance. So it can be concluded that H1 is rejected.
2. The leverage variable (X2) has a t value of 3.059 with a significance value of 0.003 < 0.05 and a regression coefficient value of 0.057 with a positive direction. This shows that the leverage variable has a significant positive effect on tax avoidance. So it can be concluded that H2 is rejected.
3. The transfer pricing variable (X3) has a calculated t value of -3.491 with a significance value of 0.002 < 0.05 and a regression coefficient value of -0.172 with a negative direction. This shows that the transfer pricing variable has a significant negative effect on Current ETR (tax avoidance). So it can be concluded that H3 is accepted.

F.4.3 Multiple Linear Analysis Test

Multiple regression analysis is used to find out how much influence the independent variable has on the dependent variable. The results of the multiple linear regression equation are as follows:

Current ETR = 0.172 + 0.241ROA + 0.057DER – 0.172TP + e

The multiple linear regression equation can be explained as follows: 1. Tax avoidance proxied by Current ETR. Based on the results of hypothesis testing, it shows that the constant value is positive at 0.172. Therefore, a constant value of 0.172 means that if the variables profitability (X1), leverage (X2), and transfer pricing (X3) are 0% or have not changed,
then the value of the tax avoidance variable \( (Y) \) is 0.172. 2. The Profitability Variable \((X1)\) has a regression coefficient value of 0.241. The regression coefficient value of 0.241 shows that if the profitability variable experiences an increase of 1%, there will be an increase in Current ETR (tax avoidance) of 0.241 or 24.1% assuming other variables remain constant. 3. The Leverage variable \((X2)\) has a regression coefficient value of 0.057. The regression coefficient value of 0.057 shows that if the leverage variable experiences an increase of 1%, there will be an increase in Current ETR (tax avoidance) of 0.057 or 5.7% assuming other variables remain constant. 4. The Transfer Pricing variable \((X3)\) has a regression coefficient value of -0.172. The value -0.172 shows that if the transfer pricing variable experiences an increase of 1%, there will be a decrease in Current ETR (tax avoidance) of 0.172 or 17.2% assuming other variables remain constant.

G. DISCUSSION

G.1 Effect of Profitability on Tax Avoidance

Based on the results of the first hypothesis test in table 4.10, it shows that the profitability variable has a significant positive effect on tax avoidance. So it can be concluded that accepting Ha1 and rejecting H01. Profitability is a company's ability to earn profits during a certain period with the capital or assets owned by the company (Siregar, 2021). In this research, profitability, which is proxied by Return on Assets (ROA), can indicate that the greater the profitability of a mining company, the less tax avoidance is carried out. If the company is orderly in paying its taxes, it will have a good impact on the company because it will create a good image for stakeholders, the general public and the tax authorities. The results of this research are in line with the research results of Sormin (2019); Mahdiana & Amin (2020) stated that profitability has a positive effect on tax avoidance.

G.2 The Effect of Leverage on Tax Avoidance.

Based on the results of the second hypothesis test, it shows that the leverage variable has a positive effect on tax avoidance. So it can be concluded that Ha2 is accepted and H02 is rejected. Leverage is a financial ratio that measures a company's ability to fulfill its long-term obligations such as interest payments on debt, final principal payments on debt and other fixed obligations (Ahmad, 2022). In this research, leverage as proxied by the Debt to Equity Ratio (DER) can indicate that the greater the leverage a mining company has, the less tax avoidance it will undertake. Large interest costs will have the effect of reducing the company's tax burden. The results of this research are in line with the research results of Selvian et al., (2019); Khomsiyah et al., (2021) stated that leverage has a positive effect on tax avoidance.

G.3. The Effect of Transfer Pricing on Tax Avoidance

Based on the results of the third hypothesis test, it shows that the transfer pricing variable has a significant negative effect on Current ETR (tax avoidance). So it can be concluded that Ha5 is rejected and H03 is accepted. Transfer pricing is a price that is calculated under conditions based on the arm's length price principle for the delivery of goods/services or other intangible assets from one company to another company that has a special relationship (Pohan, 2019). Transfer pricing is measured by trade receivables from related parties divided by total receivables. Determination of transfer prices indicates that there is a mode of manipulation of price deviations carried out by a company with related companies that apply lower tax rates. The results of this research are in line with the results of research conducted by Irawan et al., (2020); Hasyim et al., (2023) stated that transfer pricing has a negative effect on tax avoidance.

G. CONCLUSION

The profitability variable which is proxied by ROA and the leverage variable which is proxied by DER has a positive influence on tax avoidance, while the transfer pricing variable which is measured by the total receivables of affiliates (special relationships) has a negative influence on tax avoidance.

H. SUGGESTIONS

Future researchers are expected to use different samples, variables and tax avoidance measurement methods from this research. So we can know the effect of tax avoidance on industry, variables and other measurement methods.

REFERENCES


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