

The Effect of Transfer Pricing, Capital Intensity, and Firm Size on Tax Avoidance (Empirical Study on Mining Sector Companies Listed on the Indonesian Stock Exchange in 2021-2023)

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Abstract - Tax avoidance is a legal activity that does not violate tax regulations, carried out by taxpayers to reduce their tax liabilities by exploiting loopholes in tax laws. Nevertheless, this practice can be considered detrimental to the state and contrary to the fundamental objectives of taxation. This study aims to analyze the effect of Transfer Pricing, Capital Intensity, and Firm Size on Tax Avoidance (An Empirical Study on Mining Sector Companies Listed on the Indonesia Stock Exchange for the Period 2021–2023). The population in this study consists of mining sector companies listed on the Indonesia Stock Exchange during the 2021–2023 period. The sampling technique used is purposive sampling, resulting in a sample of 18 companies. The data analysis method used in this research is multiple regression analysis. The results of this study indicate that transfer pricing has an effect on tax avoidance, while capital intensity and firm size do not have an effect on tax avoidance.

Keywords - Tax Avoidance, Transfer Pricing, Capital Intensity, Firm Size.

I. INTRODUCTION

According to Law Number 28 of 2007 concerning General Provisions and Tax Procedures (KUP), tax is a mandatory contribution to the state owed by an individual or entity that is coercive in nature under the law, without receiving direct compensation, and is used for state purposes for the greatest possible prosperity of the people. In Indonesia, the largest portion of state revenue comes from tax revenue, accounting for approximately 80%, while the remaining 20% comes from non-tax revenue. This indicates that taxes play a very important role in the country's economy, as they constitute one of the main sources of state revenue compared to other revenue sources (Handayani & Mildawati, 2018).

Table 1. Tax Revenue Target and Realization in 2021-2023

Year	2021	2022	2023
Target	IDR 1.229,6 trillion	IDR 1.485,0 trillion	IDR 1.718,0 trillion
Realization	IDR 1.278,63 trillion	IDR 1.716,8 trillion	IDR 1.869,23 trillion
Achievement	104,0%	115,6 %	108,8%

Source: Kemenkeu.go.id, 2024

Based on the table above, the percentage of tax revenue in 2023 experienced a decline of 108.8% or 6.8% lower compared to 2022, which reached 115.6%. This decrease indicates the use of tax planning strategies by taxpayers to minimize their tax payments (Yantri, 2022). Tax planning is a process of organizing a taxpayer's business activities in such a way that their tax liabilities, including income tax and other types of taxes, are kept to a minimum provided that such actions do not violate tax laws and regulations (Pohan, 2019: 371). One of the tax planning strategies that can be undertaken by taxpayers is tax avoidance. Tax avoidance is a legal activity that does not violate tax regulations, carried out by taxpayers by reducing the amount of tax payable and

utilizing loopholes in existing tax laws (Amelia & Nadi, 2024). The government's interest in maximizing tax revenue to finance state expenditures is in conflict with the interest of companies that seek to minimize tax payments, as taxes are considered a reduction in corporate profits (Kolina & Halim, 2022). As a result, this difference in interests between the government and companies may lead to corporate activities aimed at engaging in tax avoidance.

In general, the main goal of a company is to maximize profits by minimizing expenses related to its operational activities. Therefore, companies often perceive tax obligations as burdens that reduce their profits. According to Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (HPP), the corporate income tax rate is 22%. The relatively high tax rate imposed on corporations is one of the reasons why taxpayers engage in tax planning to avoid paying a high amount of tax payable (Madjid & Akbar, 2023). This is in line with a statement from the Minister of Finance, who noted that effective tax avoidance practices can significantly reduce the amount of tax that should be paid. As a result, tax avoidance can be considered a practice that harms the state and contradicts the very purpose of taxation itself (news.ddtc.co.id). As reported by kontan.co.id, Suryo Utomo (the Director General of Taxes) responded to this issue by stating that the total state losses caused by tax avoidance reach USD 4.86 billion, or approximately IDR 68.7 trillion per year. This is consistent with information published on pajakku.com, which references a report by the Tax Justice Network titled "The State of Tax Justice 2020". The report estimates that Indonesia suffers an annual loss of around USD 4.78 billion, equivalent to IDR 6.76 trillion, due to corporate taxpayers engaging in tax avoidance practices.

There have been various tax-related cases associated with tax avoidance. For example, in 2019, a consumer goods company, PT. Nippon Indosari Corpindo Tbk, was involved in transfer pricing with PT. Indofood Sukses Makmur Tbk for the purchase of raw materials, followed by sales to PT. Indomarco Prismatama amounting to IDR 1.2 trillion. Additionally, several entities reported a decline in net profit from 2018 to 2022, such as PT. Mayora Indah by 0.51%, PT. Unilever by 4.37%, and PT. Garudafood by 19.9%, which are suspected of engaging in tax avoidance practices (Putri & Simanjuntak, 2023). Another case involves a pulp and paper company, PT. Toba Pulp Lestari Tbk, which reportedly incurred losses from 2016 to 2020. However, during the same period, the company recorded an increase in fixed assets amounting to IDR 1.413 trillion.

This suggests the presence of tax avoidance through capital intensity strategies, such as increasing the company's fixed assets (Danautoba.org, 2021). The OECD has been making efforts to address tax avoidance by multinational companies since 2013 through the launch of the Base Erosion and Profit Shifting (BEPS) project. As reported by DDTC.News, the BEPS project is not only concerned with combating tax avoidance but also involves broader efforts such as combating harmful tax competition that disadvantages other countries, countering aggressive tax planning, and promoting better international coordination in the field of taxation. Due to the comprehensive and far-reaching nature of these goals, it is not surprising that many stakeholders consider BEPS to be an ambitious initiative. However, companies may still engage in tax avoidance in various ways, such as royalty payments to parent companies, purchasing raw materials from affiliated entities, related-party loan transactions, or the use of inappropriate tax rates. Other potential methods include transfer pricing, capital intensity, and firm size.

The first factor suspected to influence tax avoidance is transfer pricing, which is a company's policy to determine transfer prices in transactions between related companies or between divisions within a multinational corporation (Rini et al., 2022). Transfer pricing is implemented to minimize the company's tax burden by shifting income to countries with lower tax rates (Amelia & Nadi, 2024). Additionally, multinational companies may sell goods to related parties at prices below fair market value to avoid high tax burdens. This is because lower receivables from related parties can lead to lower reported profits and thus reduce tax expenses (Gunawan & Surjandari, 2022). Therefore, transfer pricing has the potential to facilitate tax avoidance since it allows companies to achieve higher profits while paying less tax. This is supported by previous research by Ernawati and Simbolon (2023), which concluded that transfer pricing affects tax avoidance. However, other researchers, such as Rini et al. (2022), found that transfer pricing does not influence tax avoidance. The second factor suspected to influence tax avoidance is capital intensity, which indicates the extent to which a company invests its assets in fixed assets (Widagdo et al., 2020). Fixed assets are part of a company's wealth that reduces

the company's income because almost all fixed assets undergo depreciation or loss in value, thereby incurring costs for the company itself (Ardini et al., 2019). Capital intensity can minimize a company's tax rate by reducing profits through depreciation expenses on fixed assets, as regulated by tax laws under Law Number 36 of 2008. Therefore, companies have the opportunity to engage in tax avoidance by increasing their investment in fixed assets and utilizing annual depreciation deductions (Kolina & Halim, 2022). This is supported by previous research by Mailia and Apollo (2020), who concluded that capital intensity has a significant effect on tax avoidance. However, research conducted by Kolina and Halim (2022) concluded that capital intensity does not affect tax avoidance carried out by companies.

The third factor suspected to influence tax avoidance is company size, which can be measured by the total assets owned by the company. This measurement is based on sales volume, book value of assets, and number of employees (Munawir, 2007) as cited in (Handayani & Mildawati, 2018). Investors tend to pay special attention to large companies because they are considered to have stable conditions and easier access to both internal and external funding sources (Hery, 2017: 3). Moreover, company size indirectly reflects the level of operational activity a larger company typically has more complex transactions. This complexity provides opportunities for companies to exploit loopholes in tax regulations to engage in tax avoidance through their various transactions (Handayani & Mildawati, 2018). This view is supported by previous research from Sari and Nailufaroh (2023), who concluded that company size has a significant effect on tax avoidance. However, this finding differs from research by Widagdo et al. (2023), which found that company size does not influence tax avoidance.

Based on the discussion above, previous studies show inconsistent results. Due to these inconsistencies, the researcher is interested in re-examining the influence of transfer pricing, capital intensity, and company size on tax avoidance. This study is a development of research conducted by Madjid and Nahrudien (2023) with several differences, namely: (1) Replacing the independent variable inventory intensity with company size, (2) Using a research period from 2021 to 2023, and (3) Focusing the research object on mining sector companies listed on the Indonesia Stock Exchange, motivated by Indonesia's abundant natural resources in the mining sector, which have the potential to be one of the largest contributors to state revenue, thus the tax contributions from this sector can still be optimized. This study aims to test and analyze the effects of transfer pricing, capital intensity, and company size on tax avoidance. This study aims to examine and analyze the effect of transfer pricing, capital intensity, and firm size on tax avoidance.

II. LITERATURE REVIEW

A. Positive Accounting Theory

The Positive Accounting Theory was introduced by Watts & Zimmerman in 1986. This theory explains the reasons why accounting standards are used and provides predictions about the consequences of the role of accounting and information in decision-making processes based on those standards for individuals, companies, or other related parties. It indicates how earnings management can be conducted when preparing financial statements due to tax planning, income management strategies, and tax avoidance concepts which are essentially interrelated. Therefore, tax planning, tax avoidance, and tax minimization strategies can be analyzed using the theoretical foundation of positive accounting (Shittu et al., 2024).

According to Mulyani (2023:54), there are three hypotheses within this theory that explain managerial decisions to act conservatively or not. First, the Bonus Plan Hypothesis suggests that company managers are more likely to engage in earnings management by selecting accounting procedures that increase reported profits. This is done to maximize their compensation when the company's financial performance is favorable. Second, the Debt Covenant Hypothesis states that companies may increase reported earnings and assets to appeal to creditors who prefer firms with sufficient assets to cover their debts. Third, the Political Cost Hypothesis explains that large firms are more sensitive than smaller firms to political costs due to higher revenues leading to higher taxes. Thus, managers tend to report lower earnings to avoid large tax payments.

B. Tax Avoidance

Tax avoidance is the effort to legally and safely reduce tax payments without violating existing tax laws (not contrary to the law), typically by exploiting loopholes (grey areas) in tax regulations to minimize tax liabilities

(Pohan, 2019: 370). Such conditions encourage managers to practice tax management by avoiding taxation on transactions that are not deemed taxable under prevailing laws (Nadi & Amelia, 2024). Although legal, this practice has a negative impact on state revenue, leading to inequity in the tax system and eroding public trust in that system (Judijanto et al., 2024). Tax avoidance is often committed by taxpayers before the issuance of a Tax Assessment Letter (SKP), and indirectly, those who engage in it are seen as not supporting the objectives of the tax laws (Anasta et al., 2023: 7).

Tax avoidance and tax evasion are two related but distinct concepts, differing in terms of legality and morality (Judijanto et al., 2024). According to Yantri (2022), tax avoidance is divided into two categories: (1) Permissible Tax Avoidance, which involves exploiting loopholes in tax laws without violating them, and (2) Impermissible Tax Avoidance, which involves fraudulent activities or falsified transactions aimed at evading tax obligations commonly referred to as tax evasion.

C. Transfer Pricing

Transfer pricing is a policy implemented by a company to determine the price of each transaction between divisions within a multinational enterprise, which facilitates the company in adjusting internal prices for goods, services, and intangible assets being traded, in order to prevent prices from being set too low or too high (Amelia & Nadi, 2024). The transfer prices set by multinational companies are related to transactions between divisions within a single entity or between entities located in different sovereign territories (Suandy, 2016: 78). There are two categories of transactions in transfer pricing: intra-company and inter-company. Intra-company refers to transfer pricing between divisions within a single company, while inter-company refers to transfer pricing between two companies that have a special relationship (Pohan, 2019: 196).

According to the Regulation of the Directorate General of Taxes Number 32 of 2011, the Arm's Length Principle is defined as the price of a transaction conducted between parties that do not have a special relationship, which is determined by market mechanisms, so that the transaction reflects a fair market price. However, transfer pricing practices carried out by multinational companies often involve selling goods below fair market prices and purchasing goods above market prices, with the aim of minimizing the company's tax burden (Gunawan & Surjandari, 2022). According to Mulyadi (1997: 387), when determining transfer prices, the purchasing division and the selling division must reach an agreement on the price of goods that will be used as the transfer price between divisions.

D. Capital Intensity

Capital intensity refers to the extent to which a company invests its wealth in fixed assets (Sofian & Djohar, 2022). It is often associated with the amount of fixed assets and inventory owned by a company, where fixed assets have an economic lifespan that generates depreciation expenses annually. The depreciation burden is closely linked to the value of the fixed assets held by the company, and this depreciation can reduce the company's taxable income (Helmi & Kurniadi, 2024). As a result, it leads to lower company profits and can also reduce the amount of tax payable. Therefore, managers often take advantage of depreciation on fixed assets as a strategy to minimize the company's tax burden (Sovita & Khairat, 2023).

According to Law Number 36 of 2008 Article 6 Paragraph 1b on Income Tax, it is stated that depreciation of expenditures for acquiring tangible assets and amortization of expenditures for acquiring rights and other costs with a useful life of more than one year constitutes deductible expenses from gross income. This indicates that the greater the depreciation expense, the lower the tax burden the company has to pay, because depreciation reduces the company's profit (Sofian & Djohar, 2022). Therefore, a company may increase its fixed assets and utilize their depreciation expenses at the end of each period to reduce profits and ultimately lower tax payments (Gunawan & Surjandari, 2022).

E. Firm Size

Firm size is a scale used to classify whether a company is large or small, based on several criteria such as total assets, total sales, market value of shares, and others. Among these, company size measured by total assets tends to be more stable than sales, as sales figures fluctuate more frequently from year to year, while assets remain

relatively consistent (Hery, 2017: 98). Moreover, a company's level of maturity can be reflected through its total assets, where larger asset values indicate that the company has good long-term prospects. Therefore, larger firms are generally more stable and more capable of generating profit compared to smaller firms (Widagdo et al., 2020).

Large companies tend to have more resources compared to smaller ones, especially in terms of tax management, where skilled human resources in taxation are essential to effectively manage and minimize the company's tax burden. Therefore, the larger the size of a company, the more it will consider the risks associated with managing its tax obligations (Sovita & Khairat, 2023). According to Law Number 20 of 2008 Article 1 concerning Micro, Small, and Medium Enterprises (MSMEs), company size is classified into four categories: Micro Enterprises, Small Enterprises, Medium Enterprises, and Large Enterprises. This classification helps to distinguish companies based on their scale of operations, assets, and capacity, which in turn influences how they manage their taxation strategies.

F. Conceptual Framework and Hypothesis Development

Transfer pricing is a company policy in determining the transfer price in inter-divisional transactions within a company that has a special relationship or with a multinational company (Rini et al., 2022). Transfer pricing has impacts from various perspectives. From the government's point of view, it poses a threat to state revenue, specifically in the form of reduced tax income from the expected target. Meanwhile, from the company's point of view, transfer pricing allows the company to earn higher profits by shifting its income to countries with lower tax rates, thus reducing the amount of tax paid to the government (Ernawati & Simbolon, 2023). Therefore, transfer pricing is often misused by companies as a tool for tax avoidance (Madjid & Akbar, 2023). Moreover, a low receivable from related parties can also occur if the transaction sales price is lower than the fair market price (Gunawan & Surjandari, 2022). This is because companies may conduct direct sales from the factory without going through third parties, such as distributors or resellers. As a result, the cost of goods sold (COGS) reported in the income statement may increase due to production cost adjustments or intercompany transfer prices, which reduces the company's profit and thus the tax burden. The studies by Sofian & Djohar (2022), Gunawan & Surjandari (2022), and Amelia & Nadi (2024) show that transfer pricing has a significant effect on tax avoidance. Based on the above conceptual framework, the first hypothesis proposed is:

H1: Transfer Pricing has a Significant Effect on Tax Avoidance

Capital intensity reflects how much a company invests its assets in the form of fixed assets (Widagdo et al., 2020). A large amount of fixed assets owned by a company can provide a relatively greater opportunity to engage in tax avoidance by utilizing annual depreciation of those fixed assets (Sovita & Khairat, 2023). The more fixed assets a company has, the more it can affect several things: depreciation expense increases, company profit decreases, and thus the company's tax payable also decreases. Depreciation expenses on fixed assets are naturally related to income tax, based on Law Number 36 of 2008 Article 6 Paragraph 1b, so depreciation expenses on fixed assets can reduce the amount of tax payable by the company (Helmi & Kurniadi, 2024). Therefore, if a company's profit decreases, it may indicate that the company has a low effective tax rate, which reflects a higher level of tax avoidance (Madjid & Akbar, 2023). Research conducted by Helmi & Kurniadi (2024), Widagdo et al. (2020), and Ardini et al. (2019) shows that capital intensity has a significant influence on tax avoidance. Based on the above conceptual framework, the second hypothesis proposed is:

H2: Capital Intensity has a Significant Effect on Tax Avoidance

Firm size is a scale used to classify whether a company is large or small based on several criteria such as total assets, total sales, market value of shares, and others (Hery, 2017: 3). Firm size measured by total assets tends to be more stable than sales because sales are more likely to fluctuate each year compared to total assets (Hery, 2017: 98). Firm size can indirectly reflect the level of operational activity in a company, where the larger the firm, the more complex its transactions. Thus, this allows companies to exploit loopholes in tax regulations to engage in tax avoidance (Handayani & Mildawati, 2018). Large companies tend to have more competent human resources in the field of taxation than small companies, especially in tax management. Large firms have broader scope to plan their taxes or apply accounting methods that are perceived to reduce their effective tax rate (Delgado et al., 2018). Therefore, they are able to maximize the company's ability to avoid high tax payments

(Sovita & Khairat, 2023). Research by Fatmala et al. (2022), Mailia & Apollo (2020), and Handayani et al. (2018) shows that firm size has a significant influence on tax avoidance. Based on the above conceptual framework, the third hypothesis proposed is:

H3: Firm Size has a Significant Effect on Tax Avoidance

III. METHODOLOGY

The population observed in this study consists of mining sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2021–2023. The sample selection technique used is purposive sampling, allowing the researcher to draw conclusions about the population under study based on the intent and objectives of the research, using the following criteria:

Table 2. Sample Selection Procedure

Sample Criteria		Total
1	Mining sector companies listed on the IDX in 2021–2023	67
2	Mining sector companies not continuously listed on the IDX during 2021–2023	(3)
3	Mining sector companies that did not generate profits continuously during 2021–2023	(22)
4	Mining sector companies that did not have complete related party receivables data continuously during 2021–2023	(24)
Total sample companies		18
Total sample research (18 x 3)		54

This study uses secondary data, namely the financial statements of companies in the mining sector obtained from the Indonesia Stock Exchange (IDX) website (www.idx.co.id) for the years 2021–2023. The data used consists of annual reports and financial statements, which are retrieved from the official IDX website or the official websites of the respective companies if the data is not available on the IDX site. To obtain the necessary data for this study, the author used a documentation observation technique by reviewing the financial statements of the sample companies and studying literature relevant to the research problem, both from print and electronic media (literature review). The collected data will be processed using SPSS software version 30.

IV. RESULT AND DISCUSSION

A. Descriptive Statistics Results

Descriptive statistics are used to analyze data by providing an overview or description of the research data, which is reflected in the minimum value, maximum value, mean, and standard deviation (Ghozali, 2018: 19).

Table 3. Descriptive Statistics Results

	N	Minimum	Maximum	Mean	Std. Deviation
Tax Avoidance	54	,00286931396	4,9763463671	,56253363008	,90882617119
Transfer Pricing	54	,00033727774	,99121376162	,25715875056	,29806227120
Capital Intensity	54	,00865995810	,51232437423	,14723490033	,11069529705
Firm Size	54	12,819824825	29,459483196	20,101520298	3,4643848895

Source: Processed data using SPSS 30, 2025

Based on the test results in the table above, the tax avoidance variable, measured using the Cash Effective Tax Rate (CETR), shows a minimum value of 0.0028, a maximum value of 4.9763, an average (mean) of 0.5625, and a standard deviation of 0.9088. The transfer pricing variable has a minimum value of 0.0003, a maximum value of 0.9912, a mean of 0.2571, and a standard deviation of 0.2980. The capital intensity variable has a minimum value of 0.0086, a maximum value of 0.5123, a mean of 0.1472, and a standard deviation of 0.1106. The firm size variable shows a minimum value of 12.8198, a maximum value of 29.4594, an average of 20.1015, and a standard deviation of 3.4643.

B. Normality Test Results

The normality test is a prerequisite test before proceeding to hypothesis or correlation testing. If the data are normally distributed, then the data are considered appropriate for use in the research (Anasti et al., 2022: 124). To detect data normality, the One Sample Kolmogorov-Smirnov Test can be used with a significance level of 5%. The following table presents the results of the normality test:

Table 4. Normality Test Results Before Data Transformation

		Unstandardized Residual
N		54
Normal Parameters	Mean	,0000000
	Std. Deviation	,85662913
Most Active Differences	Absolute	,281
	Positive	,281
	Negative	-,187
Test Statistic		,281
Asymp. Sig. (2-tailed)		<,001

Source: Processed data using SPSS 30, 2025

From the normality test results in Table 5.2 above, which was conducted using the One-Sample Kolmogorov-Smirnov Test, it can be seen that the Asymp. Sig. (2-tailed) value is less than 0.001, which is smaller than the significance level of 0.05. This indicates that the data are not normally distributed, so the regression model is not yet suitable for further analysis. Therefore, the normality test will be conducted again to achieve normality after applying data transformation using logarithms. The results of the normality test are as follows:

Table 5. Normality Test Results After Data Transformation

		Unstandardized Residual
N		54
Normal Parameters	Mean	,0000000
	Std. Deviation	,25308992
Most Active Differences	Absolute	,083
	Positive	,083
	Negative	-,053
Test Statistic		,083
Asymp. Sig. (2-tailed)		,200 ^d

Source: Processed data using SPSS 30, 2025

After the data was transformed into logarithmic form, the normality test conducted using the One-Sample Kolmogorov-Smirnov Test in Table 5.3 shows that the Asymp. Sig. (2-tailed) value is 0.200, which indicates a p-value greater than 0.05. This leads to the conclusion that the residual data are normally distributed, so the regression model meets the normality assumption and can be used for further analysis.

C. Results of the Multicollinearity Test

The multicollinearity test aims to determine whether there is a strong correlation or relationship between independent variables (Ghozali, 2018: 107). The presence or absence of multicollinearity symptoms can be identified from the tolerance values or Variance Inflation Factor (VIF). If the tolerance value is less than 0.1 or the VIF is greater than 10, multicollinearity occurs. Conversely, if the tolerance value is greater than 0.1 or the VIF is less than 10, multicollinearity does not occur. The results of the multicollinearity test are as follows:

Table 6. Results of the Multicollinearity Test

Model	Collinearity Tolerance	Statistics VIF
Log Transfer Pricing	,971	1,029
Log Capital Intensity	,897	1,115
Firm Size	,875	1,143

Source: Processed data using SPSS 30, 2025

Based on the results of the multicollinearity test in the table above, it shows that each independent variable transfer pricing, capital intensity, and firm size is free from multicollinearity problems. This can be seen from the transfer pricing variable, which has a tolerance value of 0.971 and a VIF of 1.029; the capital intensity variable with a tolerance of 0.897 and VIF of 1.115; and finally, the firm size variable with a tolerance of 0.875 and VIF of 1.143. Since all tolerance values are greater than 0.1 and all VIF values are less than 10, it can be concluded that all independent variables are free from multicollinearity issues in this regression analysis and can be used for further analysis..

D. Results of the Heteroscedasticity Test

The purpose of the heteroscedasticity test is to determine whether the variance of the residuals differs between observations. If the variance is the same or constant, it is called homoscedasticity, and if it differs, it is called heteroscedasticity (Ghozali, 2018: 137). To detect the presence of heteroscedasticity, the significance value in the Glejser test table is observed, and if the p-value is greater than 0.05, then heteroscedasticity does not occur.

Table 7. Results of the Glejser Test

Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
(Constant)	,045	,146		,311	,757
Log Transfer Pricing	-,048	,070	-,095	-,687	,495
Log Capital Intensity	,090	,057	,225	1,559	,125
Firm Size	,010	,007	,214	1,469	,148

Source: Processed data using SPSS 30, 2025

From the test results in the table above, it shows that the four variables transfer pricing, capital intensity, and firm size have p-values greater than 0.05. Therefore, it can be concluded that heteroscedasticity does not occur in these variables, and the regression model can be used for further analysis.

E. Results of the Autocorrelation Test

The purpose of the autocorrelation test is to examine whether there is a correlation between the current- year errors and the prior year errors in the model (Ghozali, 2018: 111). Because the data are time-series observations covering 2021–2023, one method that can be used to detect autocorrelation is the Durbin-Watson (DW) statistic, whose values range from –2 to +2. The table below presents the autocorrelation test results:

Table 8. Results of the Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,397 ^a	,158	,107	,26057201686	1,817

Source: Processed data using SPSS 30, 2025

Based on the results of the autocorrelation test in the table above, it is known that the calculated Durbin Watson (DW) value falls between -2 and +2, namely $-2 < 1.817 < +2$. Therefore, it can be concluded that there is no autocorrelation in the regression analysis. The regression model formed can be explained solely by the independent variables and can be used for further analysis.

F. Results of Multiple Linear Regression Analysis

Multiple linear regression analysis is used to determine the relationship or influence of two or more independent variables on a dependent variable (Anasti et al., 2022: 178). In this study, the hypothesis is tested using multiple linear regression analysis to obtain an overview of the effect of transfer pricing, capital intensity, and firm size on tax avoidance. The table below shows the results of the multiple linear regression analysis:

Table 9. Results of the Multiple Linear Regression Analysis

Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	T	Sig
(Constant)	-,848	,232		-3,652	<,001
Log Transfer Pricing	-,279	,111	-,331	-2,510	,015
Log Capital Intensity	-,011	,091	-,016	-,116	,908
Firm Size	,022	,011	,271	1.950	,057

Source: Processed data using SPSS 30, 2025

Based on the results in the table above, the multiple linear regression equation for this research model is as follows:

$$Y = -0.848 - 0.279 X_1 - 0.011 X_2 + 0.022 X_3 + e$$

The following is the interpretation of the regression model:

1. The constant value (a) is -0.848. This means that if all independent variables are assumed to be zero (0), then tax avoidance will have a negative value of -0.848.
2. The regression coefficient for the transfer pricing variable is -0.279 and has a negative sign. This means that every 1 unit increase in transfer pricing will cause a decrease in tax avoidance by 0.279, assuming other variables remain constant.
3. The regression coefficient for the capital intensity variable is -0.011 and has a negative sign. This means that every 1 unit increase in capital intensity will cause a decrease in tax avoidance by 0.011, assuming other variables remain constant.
4. The regression coefficient for the firm size variable is 0.022 and has a positive sign. This means that every 1 unit increase in firm size will cause an increase in tax avoidance by 0.022, assuming other variables remain constant.

G. Results of the Partial Test (T-Test)

The t-statistic test essentially shows how much influence an individual explanatory/independent variable has in explaining the variation in the dependent variable (Ghozali, 2018: 98). To determine the validity of the hypothesis, the criteria used are: $t_{\text{count}} > t_{\text{table}}$ or $t_{\text{count}} < t_{\text{table}}$ with a confidence level of 5%. The significance is 5% or 0.05, the sample size (n) is 54, and the degrees of freedom (df) formula is $n - k$ (the number of independent variables) - 1. This yields a $t_{\text{table}} = (0.05/2; 54-3-1) = (0.025; 50) = 2.009$. The table below shows the t-test results:

Table 10. Results of the Partial Test

Model	Ttable	Tcount	Sig.	Explanation
Log Transfer Pricing	2,009	-2,510	,015	Ha Accepted
Log Capital Intensity	2,009	-,116	,908	Ha Rejected
Firm Size	2,009	1.950	,057	Ha Rejected

Source: Processed data using SPSS 30, 2025

The t-test results for the transfer pricing variable show a t_{count} of -2.510 with a p-value of 0.015. This indicates that the absolute t_{count} is greater than the t_{table} ($-2.510 > 2.009$) and the p-value is less than 0.05. Therefore, H1 is accepted, meaning that partially, the transfer pricing variable has a significant effect on tax avoidance. Next, the capital intensity variable shows a t_{count} of -0.116 with a p-value of 0.908. This means the absolute t_{count} is less than the t_{table} ($-0.116 < 2.009$) and the p-value is greater than 0.05. Thus, H2 is rejected, indicating that capital intensity does not have a significant partial effect on tax avoidance. Lastly, the firm size variable shows a t_{count} of 1.950 with a p-value of 0.057. Although the t_{count} is close, it is less than the t_{table} ($1.950 < 2.009$), and the p-value is greater than 0.05. Therefore, H3 is rejected, meaning that firm size does not have a significant partial effect on tax avoidance.

H. Results of the Simultaneous Test (F-Test)

The F-test is used to determine whether all independent variables simultaneously have an effect on the dependent variable at a significance level of 5%. It is known that the significance is 5% or 0.05, the sample size (n) is 54, and the first degree of freedom (df1) is k (the number of independent variables), which is 3. The second

degree of freedom (df2) is calculated as $n - k - 1$, which is 50. Therefore, the Ftable value is $(0.05; 3; 50) = 2.790$. The following table shows the results of the simultaneous test:

Table 11. Results of the Simultaneous Test

Model		Sum Of Squares	Df	Mean Squares	F	Sig.
1	Regression	,635	3	,212	3,117	,034 ^b
	Residual	3,395	50	,068		
	Total	4,030	53			

Source: Processed data using SPSS 30, 2025

Based on the test results in the table above, it is known that the calculated Fcount is 3.117, which is greater than Ftable of 2.790 ($3.117 > 2.790$), and the p-value of 0.034 is less than 0.05. Therefore, it can be concluded that the variables transfer pricing, capital intensity, and firm size simultaneously have a significant effect on tax avoidance.

I. Results of the Coefficient of Determination Test (R^2)

The percentage of the influence of all independent variables on the dependent variable can be indicated by the magnitude of the coefficient of determination, while the remaining portion is explained by other variables outside the model. The following table shows the coefficient of determination test results:

Table 12. Results of the Coefficient of Determination Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin- Watson
1	,397 ^a	,158	,107	,26057201686	1,817

Source: Processed data using SPSS 30, 2025

Based on the table above, it is known that the adjusted R square (R^2) value is 0.107. This indicates that the combined influence of the variables transfer pricing, capital intensity, and firm size on tax avoidance is only 10.7%. Meanwhile, the remaining 89.3% is explained by other variables outside the regression equation or variables not examined in this study.

J. The Effect of Transfer Pricing on Tax Avoidance

The results of the first hypothesis test indicate that transfer pricing practices have a significant effect in reducing the amount of tax liability. This shows that the higher the transfer pricing value, the lower the Corporate Effective Tax Rate (CETR), where a low CETR value can indicate a high level of tax avoidance conducted by the company.

Transfer pricing practices are often utilized by multinational corporations to minimize their tax obligations by selling goods or services below the fair market price within the same group and then transferring profits to companies within the group located in countries with low or zero tax rates (Amelia & Nadi, 2024). Additionally, multinational companies may sell to related parties at prices lower than the fair market value to avoid high tax burdens. This is because companies can sell directly from the factory without going through third parties such as distributors or resellers. As a result, the cost of goods sold (COGS) recorded in the company's income statement can increase due to adjustments in production costs or transfer prices between related parties, which reduces company profits and lowers the tax burden (Gunawan & Surjandari, 2022). Tax is considered a cost that reduces company profits; therefore, the higher the tax rate in a country, the greater the tendency for companies to engage in tax avoidance.

This aligns with positive accounting theory, which states that company decisions to choose accounting policies, such as using transfer pricing for tax avoidance practices, are driven by economic motives, managerial incentives, and applicable regulations. The political cost hypothesis within this theory explains that multinational corporations tend to emphasize reported earnings to reduce tax liabilities. Thus, multinational companies tend to reduce their profits through transfer pricing practices by shifting profits to countries with

lower tax rates to reduce the political costs they would otherwise have to pay (Sofian & Djohar, 2022). This is consistent with studies conducted by Amelia and Nadi (2024), Ernawati and Simbolon (2023), Gunawan and Surjandari (2022), and Sofian and Djohar (2022), which state that transfer pricing has a significant effect on tax avoidance. However, it contradicts studies by Madjid and Akbar (2023) and Rini et al. (2022), which found that transfer pricing does not affect tax avoidance.

K. The Effect of Capital Intensity on Tax Avoidance

The results of the second hypothesis test show that capital intensity does not have a significant effect on reducing the amount of tax liability. This indicates that depreciation expenses from fixed assets do not impact lowering the Corporate Effective Tax Rate (CETR) and do not influence tax avoidance practices. In other words, companies do not use their fixed assets to avoid taxes but rather to support smooth operations and improve the efficiency of resource utilization (Sovita & Khairat, 2023). Therefore, companies do not consider investment in fixed assets as a strategy to reduce tax payments, so depreciation expenses from fixed assets do not affect the amount of tax owed (Wansu & Dura, 2024).

In this study, the aspect related to tax avoidance is the depreciation expense of fixed assets owned by the company. Regarding fixed assets, depreciation expenses regulated under Law Number 36 of 2008 should be able to reduce the company's taxable income. However, in reality, investments in fixed assets are more often used to facilitate operational activities rather than to reduce tax obligations. Moreover, the depreciation expense of fixed assets is relatively small in reducing the amount of tax payable, so companies do not use fixed asset investments as a tax avoidance strategy. This finding is consistent with studies by Sovita and Khairat (2023), Kolina and Halim (2022), and Delgado et al. (2018), which state that capital intensity does not affect tax avoidance. However, it contradicts research by Helmi and Kurniadi (2024), Madjid and Akbar (2023), Gunawan and Surjandari (2022), Sofian and Djohar (2022), Widagdo et al. (2020), Mailia and Apollo (2020), and Andini et al. (2019), which find that capital intensity influences tax avoidance.

L. The Effect of Firm Size on Tax Avoidance

The results of the third hypothesis test show that firm size does not have a significant effect on reducing the amount of tax liability. This indicates that the size of a company, whether large or small, does not impact lowering the Corporate Effective Tax Rate (CETR) and does not influence tax avoidance practices. In other words, the larger the size of a company, the more capable it is of fulfilling its tax obligations by utilizing company resources and a more structured management system, as well as tending to have good long term business prospects, so the company does not need to engage in tax avoidance (Hadiati & Fitria, 2024).

Small companies may be able to engage in tax avoidance due to weaker fiscal supervision, which tends to focus more on large companies, but their limited access to resources or management strategies can restrict their ability to carry out effective tax avoidance practices. Conversely, large companies tend to face greater political pressure because they receive more attention from tax authorities, the government, and the public. Therefore, large companies tend to be cautious in tax planning and comply more with tax obligations by paying higher taxes to avoid public and tax authority scrutiny, reduce the risk of tax sanctions, maintain corporate reputation, and investor trust. This finding aligns with studies by Fatmala et al. (2022) and Widagdo et al. (2020), which state that firm size does not have a significant effect on tax avoidance. However, it contradicts research by Sovita and Khairat (2023), Sari and Nailufaroh (2022), Mailia and Apollo (2020), Delgado et al. (2018), and Handayani and Mildawati (2018), which indicate that firm size has a significant effect on tax avoidance.

V. CONCLUSION AND SUGGESTIONS

A. Conclusion

Based on the results of the research and the discussion presented in the previous chapters, the conclusions are as follows: (1) Transfer pricing has an effect on tax avoidance conducted by companies. This indicates that transfer pricing practices are often utilized by multinational corporations to minimize their tax obligations. (2) Capital intensity does not affect the tax avoidance conducted by companies. This shows that companies use their fixed assets to support smooth operational activities rather than to avoid taxes. (3) Company size does not affect

the tax avoidance conducted by companies. This suggests that the larger the company size, the more capable the company is in fulfilling its tax obligations and therefore has no need to engage in tax avoidance.

B. Research Limitations

Although the researcher has attempted to design and develop this study carefully, there are still several limitations in this research, namely: (1) Based on the adjusted R square (R^2) value, it is known that the magnitude of the influence is only 10.7%. This indicates that the influence of the variables transfer pricing, capital intensity, and company size on tax avoidance is only 10.7%, while the remaining 89.3% is explained by other variables outside the regression equation or variables not examined in this study. (2) The number of companies that met the sample criteria in this study is relatively small. (3) This research found that there are still gaps in tax regulations that can be utilized by companies to reduce their tax liabilities. (4) This research also found that companies still have ways to conduct tax avoidance, namely through transfer pricing practices that can become illegal if they do not comply with tax regulations.

C. Suggestions

Based on the research results and the identified limitations, several suggestions are provided as considerations, namely: (1) It is expected that future researchers can use other research variables besides capital intensity and company size, as there are still other factors that may contribute to influencing tax avoidance, such as Corporate Social Responsibility (CSR), Good Corporate Governance (GCG), Audit Committee, Institutional Ownership, and others. (2) It is expected that future researchers use a larger sample size and include more sub-sectors within mining companies, such as companies in the energy sector or other basic materials not included in this study's sample, or extend the research period. (3) It is expected that the government can strengthen tax regulations and tighten supervision to minimize tax avoidance actions carried out by companies so that state revenue is not significantly reduced. (4) It is expected that company management be more cautious in conducting tax avoidance through transfer pricing practices so as not to exceed legal limits or be categorized as tax evasion.

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