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Research Article

The Influence of Leverage, Transfer Pricing, and Profit Management on Tax Aggressiviness (Study on Mining Sector Companies Listed on the Indonesian Stock Exchange in 2021-2023)

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Abstract - *This study aims to examine the effect of leverage, transfer pricing, and earnings management on tax aggressiveness. The population of this study are all energy sector companies listed on the Indonesia Stock Exchange from 2021 to 2023. The subject of this research, which was determined based on certain criteria, amounted to 38 companies studied over a 3-year period, totaling 114 observations. This study utilized secondary data and the data analysis method used in this study is multiple regression analysis. The results showed that leverage affects tax aggressiveness, transfer pricing has no effect on tax The results showed that leverage affects tax aggressiveness, transfer pricing has no effect on tax aggressiveness and earnings management affects tax aggressiveness.*

Keywords - *Leverage, Transfer Pricing, Profit Management, Tax Aggressiveness.*

I. INTRODUCTION

Indonesia is one of the countries that imposes taxes and makes taxes one of the sources of state income. According to Law Number 7 of 2021 concerning general provisions and tax procedures in article 1 paragraph 1 states that, taxes are mandatory contributions to the state owed by individuals or entities that are compelling based on law, with no direct reward and are used for state purposes for the greatest prosperity of the people.

Corporate tax is calculated based on the net profit listed in the income statement. The higher the company's profit, the greater the tax liability. Conversely, the lower the company's profit, the smaller the tax liability. Taxes for companies reduce their income but are a major source of revenue for the government, used for the development of infrastructure and public facilities that benefit the people.

In practice, companies and individuals have not carried out their obligations to pay taxes. Companies and individuals try to minimize their tax payments through tax aggressiveness activities. Tax aggressiveness is actions taken by companies to reduce their tax obligations. Frank, Lynch and Rego, (2009) define tax aggressiveness as an act of engineering taxable income designed through tax planning actions using either legal (tax avoidance) or illegal (tax evasion) methods. Therefore, tax aggressiveness can be interpreted as a strategy used by companies to aggressively reduce the tax burden, either using legal methods such as tax avoidance or illegal methods such as tax evasion. Opportunities for tax aggression also arise due to the self-assessment system in Indonesian taxation, where taxpayers have full authority to take care of their own tax calculations and reporting.

The State of Tax Justice 2023 published on July 25, 2023 by the Tax Justice Network reports that countries around the world lose US$480 billion a year in taxes due to global tax abuse. Of this annual loss, US$311 billion is lost by multinational corporations shifting profits to tax havens and US$169 billion is lost by wealthy individuals hiding their wealth overseas (Taxjustice.net, 2023). One way to see if tax aggressiveness occurs is to look at the level of taxpayer compliance which can be seen from the tax ratio. The function of taxes in the tax ratio is to obtain how much approximately the portion of taxes in a country's economy. The higher the tax ratio, the higher the State Budget (APBN) so that it can be used for various state needs in terms of development or facilities. OECD noted that Indonesia's tax ratio is the third lowest in 24 Asian and Pacific countries, the average tax ratio of 24 Asian and Pacific countries surveyed reached 21%. Not only that, the OECD also noted that Indonesia's tax ratio was also lower than the average tax ratio of 30 African countries, which reached 16.6% (Wildan, M. (2021).

Indonesia's low tax ratio is partly due to the low level of taxpayer compliance, both individuals and corporations. In 2021, the compliance rate only reached 84.07 percent. Based on the type of wp, the compliance rate for corporate wp reached 61.27 percent, while for employee and non-employee wp reached 98.73 percent and 45.53 percent, respectively. These figures show that there is still potential revenue to be gained by the state if the compliance rate is increased further (T.S et al., 2023). In Indonesia itself, there are many cases involving corporate taxpayers practicing tax avoidance and tax evasion, especially those related to their efforts to minimize the tax burden that must be paid by doing various methods. The case that has just been discovered in 2023 is the falsification of customs data and tax evasion committed by PT Aneka Tambang (Persero) Tbk. to one of SB group's subsidiaries, PT Loco Montrado in 2017. the mode of crime allegedly committed is by conditioning as if the imported gold bars have been processed into jewelry and all have been exported. Mahfud stated that based on the data obtained, gold bars weighing 3.5 tons were allegedly circulating in domestic trade. Some time ago, the Directorate General of Taxes also obtained data that the SB group did not report the tax return correctly. Therefore, the Directorate General of Taxes issued a preliminary evidence audit warrant on June 14, 2023 against four taxpayers of SB Group (Datacenter.ortax.org, 2023).

Another phenomenon that occurred was found in the case of tax evasion amounting to Rp.292 billion. In 2023 the Directorate General of Taxes found allegations of tax manipulation amounting to Rp.244 billion carried out by CV DA and CV TJ. by deliberately selling fictitious tax invoices to companies that need them and not based on actual transactions (www.cnbcindonesia.com, 2023). Based on the above phenomena and cases, it is concluded that tax avoidance practices are still often carried out by companies to reduce their tax burden. From the company's side, it wll be an advantage, but these actions greatly affect state revenues which have an impact on the progress of a country, because tax revenue is one of the largest sources of income for the Indonesian state. Therefore, it is important for the government to know the factors that influence tax aggressiveness in order to create more appropriate regulations for tax provisions in the future.

By looking at the facts and cases of the phenomenon above, the researchers identified what factors of tax aggressiveness still exist in Indonesia. Then the researchers found that leverage, transfer pricing, and earnings management are factors of tax aggressiveness (Amalia, 2021; Leonardo et al., 2023; Pitoyo & Ahmar, 2019; Prasetyo, n.d.-a; Sianturi et al., 2023; Sihombing & Mulyadi, 2023; Windaswari & Merkusiwati, 2018).

II. LITERATURE REVIEW

A. Agency Theory

Agency theory is defined as a contract between one or more principals who authorize another person (agent) to make decisions in running the company (Jensen dan Meckling, 1976). In this study, the interests of the tax recipient (state) and the taxpayer (company) can be connected. The state wants the maximum possible tax revenue but the company wants maximum profit with a low tax burden. This difference in interests creates a conflict between tax recipients and taxpayers (Saputra & Asyik, 2017).

B. Signalling Theory

Signaling theory was first introduced by Spence (1973) according to signal theory, information owners (companies) try to convey signals by trying to provide relevant information that can be used by recipients (investors). By examining the company's financial statements, signal theory informs investors about the company's future prospects. Signal theory according to Mgammal (2020) Companies with rapid growth may present more reports to show information about possible performance improvements to provide assurance to investors. Conversely, companies with slow or negative growth are likely to cover up negative news by disclosing less information. The purpose of signaling theory is to explain the importance of information held by the company (Susanto, 2022).

C. Tax Aggressiviness

According to Frank, Lynch dan Rego (2009) defines tax aggressiveness as an act of engineering taxable income designed through tax planning actions using both legal (tax avoidance) and illegal (tax evasion) methods. Lanis dan Richardson (2018) explain that tax aggressiveness refers to companies' efforts to actively manage taxable income with the aim of lowering their tax liabilities. In this context, they emphasize that tax planning activities carried out by companies can include various types of actions, ranging from legal and possibly gray areas, to illegal ones.Yuliana dan Wahyudi (2018) stated that tax aggressiveness is aggressive tax planning where the planning is considered aggressive if the company violates tax regulations and negatively affects the sustainability of the company. Companies take tax aggressiveness because there are frequent changes in tax laws and companies have an orientation to earn as much profit as possible. Tax aggressiveness is the tax planning activity of all companies that make efforts to reduce the effective tax rate (Siregar & Gaol, 2022). Signaling theory is important in understanding company information to evaluate its historical, current, and future status. Agency theory suggests that managers tend to minimize inventory to maximize business profits, but maximize additional costs to lower the tax burden with a strategy of adding costs to inventory.

D. Leverage

According to Sartono (2008), Leverage is the amount of debt a company has for financing and can measure the amount of debt-financed assets. If a company relies heavily on loans to run its business, this means it is taking higher risks. Conversely, companies that can finance their operations with their own money tend to be more stable and less aggressive. The same statement is also stated in the research Alexandra (2023), Leverage is the company's ability to meet its long-term and short-term obligations. Leverage is a reference for companies to take the amount of debt funding in the capital structure of a company in the future. Agency theory is important in understanding differences in interests, where the higher the leverage of a company, the greater the tax aggressiveness. This is driven by agency pressure from shareholders and creditors who encourage managers to increase net income and cash flow to meet debt obligations and maximize shareholder wealth. In previous research conducted by Putri dan Hanif (2020); Sihombing dan Mulyadi (2023); Amalia (2021) The results showed that leverage affects tax aggressiveness. This shows that the higher the leverage value, the higher the tax aggressiveness action taken by the company. The amount of the loan will have an impact on the emergence of a larger interest expense. High debt interest expense can be used as a deduction component in calculating taxes so that the tax burden is reduced.

H1 : Leverage influences tax aggressiveness

E. Transfer Pricing

According to Fadillah dan Lingga (2021), transfer pricing is the act of corporate taxpayers using transfer pricing as a tactic to control price agreements with related parties (affiliates). Transfer pricing is a step to streamline the tax burden by moving tax debts to a tax haven country or in other words transferred to a country with lower tax levies or even not levying on companies or individuals. According to Turwanto, Primasari dan Firmansyah (2022) transfer pricing is a practice used by multinational companies to determine the price of goods, services, or intangible assets sold between companies within a group, with the aim of minimizing the overall tax burden. Agency theory discusses the existence of a bond between the principal and the agent. If the relationship is related to transfer pricing, there is a special bond that characterizes the application of transfer pricing. The application uses a special relationship with a subsidiary located in a tax haven country. Research conducted by Prasetyo (2023); Sianturi et al (2023); Suntari dan Mulyani (2020) has the result that transfer pricing affects tax aggressiveness. Transfer pricing is determined by valuing or charging the cost of exchanging goods between related buying and selling divisions, such as within a corporate group. Companies have the ability to alter reported income and assets through the use of transfer pricing, which lowers their tax liability.

H2 : Transfer Pricing Influences Tax Aggressiveness

F. Profit Management

Healy and Wahlen (1999) states that profit management is an action taken by management to influence reported earnings, with the aim of achieving certain profit targets or to influence investors' perceptions of company performance. Profit management in research Diatmika dan Sukartha (2019) profit management is an attempt to make changes to the company's accounting practices and techniques and manipulate, keep secret, and falsify data in financial statements. Management usually implements earnings management practices to prioritize the interests of the group or company so that investors feel profitable if they continue to finance the company and do not experience losses. However, in practice, management is often encouraged to carry out earnings management for personal gain rather than company profits such as bonuses, salary increases or other rewards, because they can manage the company's management and financial statements well. Signal theory states that the readability of financial statements provides a signal to investors that the company is in good financial condition and is able to manage risks well. Investors tend to be interested in companies that show consistency in good financial ratios from year to year. Management often manipulates earnings, sometimes using loopholes in annual tax return reports related to non-deductible expenses. Profit management in research Pitoyo dan Ahmar (2019); (Prasetyo,2023); Leonardo et al (2023) obtained the results of this study that earnings management has a positive effect on tax aggressiveness. This proves that the more aggressive management of financial statements, namely earnings management with income decreasing techniques, the more it indicates that management is acting aggressively against the company's tax burden.

H3 : Profit Management Affects Tax Aggressiveness

III. RESEARCH METHOD

This research is a study that uses secondary data on energy sector companies listed on the Indonesia Stock Exchange (IDX), so the data used is data obtained from the website www.idx.co.id and from the websites of the companies used as research samples. The data taken is through the annual report for the 2021-2023 period. The following are some sample criteria or benchmarks contained in the sample in the current study, namely:

- Energy sector companies that are listed consecutively on the Indonesia Stock Exchange (IDX) from 2021- 2023.
- Energy sector companies that publish annual reports on the Indonesia Stock Exchange (IDX) during 2021- 2023.
- Energy sector companies that did not experience losses during 2021-2023.

Table 1. Research Sample Selection Procedure

No.	Sample Criteria	Total
1.	Energy sector companies that publish annual reports on the Indonesia Stock Exchange (IDX) during 2021-2023.	52
2.	Energy sector companies that did not experience losses during 2021-2023.	(14)
	Number of samples that fulfill the criteria	38
	Year of observation	3
	Total observations used in the study	114

The analysis method used in this research is multiple linear regression analysis method using SPSS software version 27. Before testing the hypothesis, researchers will first conduct descriptive statistical tests and classical assumption tests. The classic assumption tests that will be carried out are normality, multicollinearity, heteroscedasticity and autocorrelation tests.

IV. RESULT AND DISCUSSION

A. Descriptive Statistical Analysis

The following are the results of descriptive statistics including the number of research samples, the minimum value, the maximum value, the mean value, and the standard deviation value obtained from data taken from the annual financial statements of energy sector companies listed on the Indonesia Stock Exchange for 2021-2023.

This study uses data outliers to smooth the distribution of data so that further research can be carried out. Outlier data is data that has unique characteristics that look very different from other observations and appear in the form of extreme values. Previously the data tested were 114 observations, but after the selection of outliers, the observed data became 82. The results of descriptive statistical testing after outliers are obtained as follows:

Table 2. Descriptive Statistics Results After Outliers Selection

	N	Minimum	Maximum	Mean	Std. Deviation
Leverage (X1)	82	.050454	2.437510	.77699419	.540794313
Transfer Pricing (X2)	82	.000000	.522981	.07946642	.121724632
Profit Management (X3)	82	-.261255	.829800	.25646888	.188813515
Tax Aggressiviness (Y)	82	.002967	.811510	.25912254	.196071948
Valid N (listwise)	82				

Sources: Processed data using SPSS 27, 2025

From the table above, it can be seen that from the original amount of data 114 observation samples were outliers to 82 observation data. And the results of the descriptive statistical test after data outliers are as follows:

1. The Leverage variable (X1) which is measured by the ratio of total debt to total equity has a minimum value of 0.050454 in the company Mitrabahtera Segara Sejati Tbk (MBSS) in 2021, meaning that of the 82 data on energy sector companies obtained, at least 0.050454 percent of the interest costs attached to the company are due to companies experiencing capital deficiencies. While the maximum value of 2.437510 is in the Mitra Energy Persada Tbk (KOPI) company in 2023, meaning that there are energy sector companies that have a high DER value of 2.437510, indicating that the company has greater debt than capital, so that the interest costs attached to the debt will also be greater, ideally a good leverage in a company is below 100%. The mean value of 0.77699419 indicates that in general the energy sector companies in the sample have debt around 77% of their total equity. The standard deviation is 0.540794313 which is smaller than the mean value. This indicates that the data tends to be closer to its average value, which means that the data variation is relatively small. The smaller the standard deviation, the less the data deviates from the mean so the data is considered more homogeneous.
2. The Transfer Pricing (X2) variable which is measured by the ratio of total related party receivables to total receivables multiplied by 100% has a minimum value of 0.000000 in the Samindo Resource Tbk (MYOH) company in 2023, Transcoal Pacific Tbk (TCPI) in 2023, Adaro Energi Indonesia Tbk (ADRO) in 2021-2023, Batu Licin Nusantara Maritim Tbk (BESS) in 2021-2023, Energi Mega Persada Tbk (KOPI) in 2021-2013, Mitrabahtera segara Sejati Tbk (MBSS) in 2021, Bukit Asam Tbk (PTBA) in 2021-2023, Sigma Energi Compressindo Tbk (SICO) in 2022-2023, Golden Eagle Energy Tbk (SMMT) in 2021-2022, Energi Mega Persada Tbk (ENRG) in 2021-2023 and IMC Pelita Logistik Tbk (PSSI) in 2022. The minimum value of 0.0000 indicates that some companies in the sample did not conduct transfer pricing transactions or the proportion was very small. Meanwhile, the maximum value of 0.522981 is found in the RMK Energy Tbk (RMKE) company in 2023, indicating that there are companies that have a significant proportion of transfer pricing transactions. The mean of 0.07946642 indicates that in general the proportion of transfer pricing transactions in energy sector companies is still low. The standard deviation value is 0.121724632 which is greater than the mean value. This indicates that the distribution of transfer pricing data variation is quite wide, but still close to the average value or the data used as a sample in this study is accurate enough and shows the variation in transfer pricing in this study.
3. Profit Management variable (X3) which is measured by calculating the value of accruals (Jones measurement model), the ratio is 1 to the total assets of company i in period t less nondiscretionary accruals of company i in period t has a minimum value of -0.261255 in the company Mitra Bara Adiperdana Tbk (MBAP) in 2023, this data indicates that there are companies that tend to carry out income decreasing earnings management (decreasing profits). While the maximum value of 0.829800 is in the Golden Energy Mines Tbk (GEMS) company in 2022, indicating that there are companies that carry out income increasing earninngs management (increasing profits) or recognizing profits greater than they should. The mean value of 0.25646888 indicates that in aggregate, there is a tendency for a company to slightly increase profits, and with a standard deviation value of 0.188813515 which is lower than the mean value indicates that the data variation is relatively small and homogeneous.
4. The Tax Aggressiveness variable (Y) which is measured using the Cash Effective Tax Rate (CETR) has a minimum value of 0.002967 in the Soechi Lines Tbk (SOCI) company in 2023, indicating that there are companies that are very conservative or almost do not carry out tax aggressiveness, while the maximum value of 0.811510 is in the Energy Mega Persada Tbk (ENRG) company in 2021, which indicates that there are companies with high levels of tax aggressiveness. The mean value is 0.25912254 which

indicates that in general, energy sector companies in this research sample have a moderate level of tax aggressiveness. The standard deviation is 0.196071948 which is smaller than the mean indicating that the data variation is relatively small and homogeneous.

B. Hypothesis Test Results and Discussion

In the t test, decisions are made by considering the significance value of the SPSS output and comparing the t-count with the t-table value. In this study, the number of samples (n) was 82, with the number of independent variables (k) as many as 3 and the significance level used was 5% or 0.05. The t-table value or degree of freedom (df) is calculated using the formula n - k - 1, namely 82-3- 1 = 78 which results in a t-table value of 1.66462. The decision is taken by comparing the t value and t table. The t-test results can be seen in the following table:

Table 3. Individual Parameter Significance Test Results (T test)

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**keterangan**
		B	Std. Error	Beta			
1	(Constant)	.502	.042		12.077	.000	
	Leverage (X1)	.120	.034	.337	3.548	.001	H1diterima
	Transfer Pricing (X2)	-.134	.151	-.084	-.890	.376	H2 di tolak
	Manajemen laba (X3)	-.441	.097	-.431	-4.538	.000	H3 diterima

Sources: Processed data using SPSS 27, 2025

From the output results in the table it can be concluded that:

The variable X1 (Leverage) t value of 3.548 is greater than the t table value of 1.66462 with a significance level of 0.001 <0.05. The calculated t value which is greater than the t table indicates that leverage (X1) has an effect on tax aggressiveness (Y). This shows that the hypothesis is accepted, namely leverage affects tax aggressiveness in energy sector companies. Thus, the greater the level of debt in a company, the greater the level of tax aggressiveness. Conversely, if the smaller the level of debt in a company, the smaller the level of corporate tax aggressiveness.

The results of this study are in line with agency theory where there are differences in interests, namely the company as an agent and the taxation authority as a principal to reduce taxes payable on the company through leverage. Furthermore, this study supports the research findings Amalia (2021), Sihombing dan Mulyadi (2023), Putri dan Hanif (2020) which in this study states that the leverage variable affects tax aggressiveness. However, this research is not in line with research conducted by Natasya (2023), Alexandra (2023), Leonardo, Darmawati dan Rahmawati (2023), dan Takasanakeng (2022) which states that leverage has no effect on tax aggressiveness. Variable X2 (Transfer Pricing) t value -0.890 is smaller than the t table value 1.66462 with a significance level of 0.376> 0.05. The calculated t value which is smaller than the t table indicates that transfer pricing (X2) has no effect on tax aggressiveness (Y). Thus, the size of the transfer price in a company does not affect the level of tax aggressiveness because of the transfer pricing agreement policy (Advance Pricing Agreement) which can minimize the practice of transfer pricing. The regulation governing transfer pricing in Indonesia is the Minister of Finance Regulation (PMK) number 172 of 2023. Companies tend to be cautious in applying transfer pricing to avoid the risk of sanctions and fiscal corrections from the tax authorities. In addition, increased tax supervision and the obligation to prepare transfer pricing documentation, such as Local File and Master File, have limited the company's room for maneuver in utilizing transfer pricing as a tool of tax aggressiveness.

This study supports research conducted by Imanoel dan Mila (2022), Novena (2023), dan Anita (2021) which shows the result that transfer pricing has no effect on tax aggressiveness. However, this study is not in line with the research conducted by Sianturi, Aslam dan Said (2023), Prasetyo (2022) which shows the result that transfer pricing affects tax aggressiveness. Variable X3 (Profit Management) t value -4.538 is greater than the t table value -1.66462 with a significance level of 0.000 <0.05. The calculated t value which is greater than the t table indicates that profit management (X3) has an effect on tax agrsivity (Y). The greater the earnings management in a company, the smaller the CETR. This means that the greater the profit management, the greater the tax aggressiveness, a small CETR indicates tax avoidance. The results of these findings indicate that when companies practice profit management, the tendency to carry out tax aggressiveness actually increases.

These results are in line with agency theory which explains the relationship between principals (owners/shareholders) and agents (managers/companies). In this relationship, there is a potential conflict of interest, because managers have more information (information asymmetry) and can act for personal gain. One form of such action is profit management, which can be done to reduce the tax burden (by lowering taxable income) or to achieve certain targets (for example to look profitable in the eyes of investors). Signal theory explains that companies try to provide positive signals to external parties, especially investors, through financial information. profit management can be used as a tool to signal that the company's performance is stable or improving. However, in the context of tax aggressiveness, the use of profit management can cause negative signals if revealed, because it can be considered a manipulative and unethical effort. signaling theory highlights how managers consider the signal implications of their actions on external parties. The results of this study are in line with research conducted by Prasetyo, (2023); Permata, Nugroho dan Muararah (2021) which states that profit management affects tax aggressiveness. However, this research is not in line with research conducted by (Takasanakeng, 2022); (Hanum et al., 2023) which states that profit management has no effect on tax aggressiveness.

C. Test Results of The Coefficient of Determination (R2)

Table 4. Test Results of the Coefficient of Determination (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.547[a]	.299	.272	.16504

Sources: Processed data using SPSS 27, 2025

Based on the table above, the coefficient of determination (adjusted R Square) value of 0.272 is equal to 27.2%. This value illustrates the scope of information obtained from the results of testing the independent variables on the variable dependent variable that has been done. So it can be concluded that the independent variables, namely leverage, transfer pricing, and earnings management on the dependent variable, namely tax aggressiveness in this study only cover 27.2% of the information needed to predict the tax aggressiveness variable. This also means that there are still 72.8% other factors outside the research model that can affect the tax aggressiveness variable.

V. CONCLUSONS AND SUGGESTIONS

A. Conclusions

This study aims to examine the effect of leverage, transfer pricing and profit management on tax aggressiveness. Based on data analysis and discussion, the following conclusions can be drawn: Leverage affects tax aggressiveness, which means that the greater the company's capital funded by debt, the greater the interest expense, so that it will reduce the company's tax burden. Transfer Pricing has no effect on tax aggressiveness. The research results obtained show that the presence or absence of receivables between related parties does not affect the level of tax aggressiveness of a company. Because the transfer pricing practices carried out by multinational companies are generally within the corridors of applicable tax regulations. In other words, companies do not utilize the loopholes that exist in transfer pricing for aggressive tax actions. Profit management affects tax aggressiveness. This means that companies that tend to do earnings management also tend to be more aggressive towards taxes.

B. Limitations and Suggestions

The limitations in this study are as follows: First, the annual reports of some companies cannot be accessed and some companies do not provide financial reports on time so that the population used as the object of research does not meet the criteria and causes limitations in the number of samples. Second, the contribution of all independent variables in explaining the dependent variable is still low, which is only able to provide 27.2%

information on the dependent variable. This means that there are still other variables that are able to explain the relationship to the dependent variable. Based on the limitations of the above research, the researcher provides the following suggestions: For future researchers, it is recommended to expand data coverage such as contacting the company or utilizing paid databases to obtain annual reports. For future researchers, it can add other variables that can affect tax aggressiveness such as profitability, majority ownership, inventory intensity, corporate governance, corporate social responsibility, and fixed asset intensity

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