

# Tax Avoidance Practices in Indonesia: The Impact of Transfer Pricing, Profitability, and Institutional Ownership in Mining Companies

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## ABSTRACT

Tax avoidance practices are efforts made by taxpayers so that tax payable can be minimized. Tax avoidance practices emphasize the efforts that can be done but does not violate the provisions or regulations of the appropriate tax laws. This study aims to examine the impact of Transfer Pricing, Profitability (ROA), Institutional Ownership on tax avoidance practices (tax avoidance). The population in this study were all companies in the mining sector listed on the Indonesia Stock Exchange (BEI) in 2015-2019 about 47 companies. The sample was determined using purposive sampling method, with a sample size of 32 samples consisting of 8 companies that have met the criteria for determining the sample. The data used in this study is secondary data obtained through the Indonesia Stock Exchange (BEI) website for the 2015-2019 period. The results of the research conducted show that Transfer Pricing has a significant effect on Tax Avoidance Practices, Profitability has a significant effect on Tax Avoidance Practices, and Institutional Ownership has a significant effect on Tax Avoidance Practices. Simultaneously they have a significant effect on Tax Avoidance Practices.

**Keywords:** Transfer Pricing, Profitability, Institutional Ownership, Tax Avoidance Practices

## 1. INTRODUCTION

The main state revenues used as a source of state expenditure financing is tax. Taxpayer participation in carrying out its tax obligations is very necessary, so that the government can run the wheels of government and the country's economy well. Based on Law no. 28 of 2007 article 1 paragraph 1 as amended in Law no. 5 of 2008, tax is a mandatory contribution to the state that is owed by an individual or entity that is coercive in nature based on the law, with no direct compensation and is used for the purposes of the state for the greatest prosperity of the people. Tax revenue is an important concern for the government, because taxes are the largest sector of state revenue. The Directorate General of Taxes continues to intensify various ways to maximize the tax revenue target each year.

From the picture above, the national tax income fluctuates every month. So efforts to improve it become very important. Tax regulations in Indonesia require taxpayers to be able to calculate, pay and report taxes owed to the state which is called a self-assessment system. A self-assessment system is implemented so that taxpayers can be independent and responsible for their tax obligations. The government implements a self-assessment system with the aim of increasing state revenue through taxes. However, the application of this tax law can provide opportunities or opportunities for taxpayers, in this case companies, to reduce the amount of tax payable by reducing company costs, including the tax burden. (Astuti & Aryani, 2016).

Tax regulations apply to all taxpayers including corporate taxpayers in this case companies. The company's main goal is to get big profits, so that it can prosper the owners of capital or shareholders. The presence of taxes, of course, is a deduction from the profits of the company, so companies tend to be reluctant to pay taxes on their debts. However, tax collection has a coercive nature, meaning that every taxpayer who has income is obliged to pay the tax he owes and taxpayers who do not carry out their tax obligations will be subject to sanctions. This is done by the government to continue to intensify the awareness of taxpayers, given the importance of the role of taxes in financing state expenditures that are used for the greatest welfare and prosperity of the people. Based on these problems, there are differences in interests between the



Figure 1. Indonesia Tax Income(CEIC DATA,2021)

government and companies as taxpayers. The company considers tax as a burden that can reduce the income generated. Meanwhile, the government will continue to take various ways to collect taxes owed from taxpayers, so that state tax revenues continue to increase considering that taxes are an obligation that must be carried out by every citizen. This difference in interests has given rise to efforts for companies to minimize the taxes they owe to the state. One of the efforts made by the company is to practice tax avoidance.

According to Hartoto (2018), taxes are a deduction from the company's net income, managers tend to take action to minimize corporate taxes by doing tax avoidance. Tax Avoidance is an effort to avoid tax that is carried out by taxpayers consciously without conflicting with applicable tax provisions by using methods and techniques that take advantage of weaknesses in the form of gray areas contained in the tax laws and regulations themselves with the aim of reducing the amount of tax payable. (Pohan, 2019). Tax Avoidance is considered a good strategy for companies in minimizing taxes owed legally, because it can reduce the tax burden by taking advantage of loopholes contained in the applicable tax law. However, the practice of tax avoidance can certainly harm the income that should be received by the state.

Tax cases that have occurred in Indonesia are cases carried out by the Asian Agri Group (AAG), involving 14 companies that are members. The Supreme Court gave a decision in the Supreme Court Decision Number 2239 K/PID.SUS/2012, stating that the Asian Agri Group was legally and guilty of committing a tax crime, namely submitting a notification letter and/or information whose contents were incorrect or incomplete. The state suffered a loss of Rp 1.25 trillion, so the Asian Agri Group was sentenced to two years in prison and a criminal fine of Rp. 2.5 trillion ([www.pajak.go.id](http://www.pajak.go.id)).

The tax avoidance case that occurred in 2019 was carried out by PT. Adaro Energy Tbk, which is suspected of practicing tax avoidance. PT. Adaro Energy Tbk, is suspected of practicing tax avoidance by conducting transfer pricing, namely by transferring large profits from Indonesia to companies in countries that can exempt taxes or have low tax rates, this was done from 2009 to 2017. PT. Adaro Energy Tbk is alleged to have carried out this practice, resulting in the company being able to pay taxes of Rp 1.75 trillion or US\$ 125 million less than the amount that should be paid in Indonesia. Based on this case, the tax avoidance was carried out by means of transfer pricing ([www.globalwitness.org](http://www.globalwitness.org)).

One of the many tax plans carried out by multinational companies is by conducting transfer pricing which is used to shift the tax obligations of a company to several companies in countries that have low tax rates, from countries that have high tax rates, so that it will generate profits for existing subsidiaries. in low-tariff tax-collecting countries (Sentanu, Ispriyarso, & Juliani, 2016). This

method is mostly carried out by multinational companies that carry out transactions by setting low transfer prices to related parties which will then be sold at high prices, thereby earning large profits, but subject to low tax rates.

According to Tampubolon & Farizi (2018), transfer pricing is a product or service exchange transaction that occurs between two different entities within a group of companies with specific aims and objectives. In transfer pricing, there is a special determination regarding the determination of transfer prices in transactions between parties that have a special relationship. Determining the transfer price in this transaction can cause problems related to tax avoidance by a company. Companies tend to charge lower transfer prices to related companies than to unrelated companies. This of course can reduce state revenue through taxes, because companies that carry out transfer pricing with low transfer pricing can reduce the profits earned by the company, so the taxes paid are lower. According to Barker et al., (2017) the scheme of practice of tax avoidance through transfer pricing is of concern to international tax authorities, because it is possible to lose state tax revenues with the final scheme plan, which allows companies to pay very little tax or even not be taxed at all.

The greater the investment value given to the company, the management will be more careful in carrying out a policy including tax avoidance policy. This is in line with research by Lutfia & Pratomo (2018) which states that institutional ownership has a negative effect, this is because the higher the institutional ownership, the lower the tax avoidance action. In contrast to the research of Putri & Lawita (2019), Mulyani, Wijayanti, & Masitoh (2018), and Idzni & Purwanto (2017) state that institutional ownership has a significant positive effect. Meanwhile, based on research by Syudaha, Yusnaini, & Meirawati (2019), it shows that institutional ownership has no effect on tax avoidance. This shows that institutional ownership does not affect companies to do tax avoidance.

This study integrates several previous studies and reanalyzes the effect of Transfer Pricing, Profitability by using the ratio of ROA (Return On Assets) and Institutional Ownership on Tax Avoidance Practices.

## LITERATURE REVIEW

Compliance theory is a theory about a person's obedient behavior to applicable regulations or laws. According to Tyler (1990) there are two perspectives in the sociological literature regarding compliance with the law, namely instrumental and normative. the instrumental perspective assumes that the individual is wholly driven by self-interest and responses to behavioral changes. The normative perspective deals with what people perceive as moral and against self-interest. An individual tends to obey laws that are deemed appropriate and consistent with their internal norms.

Normative commitment through personal morality is by obeying the law because the law is considered a necessity, while normative commitment through legitimacy is by obeying the rules because the law-making authority has the right to dictate behavior.

According to Tahar & Rachman (2014) taxpayer compliance in carrying out their tax obligations is one of the responsibilities for the government and the people as taxpayers to God, who have rights and obligations that must be owned by the government and the people. As a citizen who obeys regulations or laws, taxpayer compliance in carrying out his tax obligations is expected to continue to be applied as a form of responsibility.

Taxpayer compliance is based on personal motivation or encouragement within the Taxpayer, in carrying out his tax obligations. The motivation from outside the taxpayer's personal is encouragement from the government in this case the Directorate General of Taxes (DGT). DGT continues to make various efforts so that taxpayers can comply in carrying out their obligations. Efforts have been made so that taxpayers can easily calculate, pay and report their outstanding taxes, such as providing services in the form of e-Filing, e-SPT, e-Faktur, and e-Bupot. The convenience provided is expected to increase taxpayer compliance by utilizing technological developments that can be accessed in real time, anytime and anywhere.

Based on the Regulation of the Minister of Finance Number 192/PMK.03/2007 concerning Taxpayers with certain criteria, hereinafter referred to as Compliance Taxpayers are Taxpayers who meet the following requirements: a. Punctual in submitting the Notification Letter; b. Do not have tax arrears for all types of taxes, except for tax arrears that have obtained permission to make installments or postpone tax payments; c. The financial statements are audited by a public accountant or government financial supervisory agency with an unqualified opinion for 3 (three) consecutive years; d. Never been convicted of a crime in the field of taxation based on a court decision that has permanent legal force within the last 5 (five) years.

Jensen and Meckling (1976) define agency theory as a contract between one or several principals by hiring another person (the agent) to perform some services on their behalf which includes the delegation of decision-making authority to the agent. In delegating the authority of the owner (principal) to the manager (agent), management is given the right to make business decisions for the benefit of the owner of the agency having a focus on the relationship of differences in interests, namely between the agent and the principal. This theory also provides an overview of the separation between management and shareholders. This separation aims to achieve effectiveness and efficiency in managing the company by hiring the best agents in

managing the company. However, there is a possibility that the agent may be concerned with his personal interests at the expense of the principal, but on the other hand, the principal wants a high rate of return from the resources that have been invested (Adityamurti & Ghazali, 2017).

Differences in interests between principal and agent can influence several policies related to the performance of a company, one of these policies is tax policy. Tax regulations in Indonesia regulate the tax system, namely the self-assessment system in which the government authorizes taxpayers to calculate, pay, and report their own tax payables. This tax collection system can provide opportunities for taxpayers as agents to make various efforts so that the taxes paid can be minimized. One of the efforts made, related to tax policy, is to practice tax avoidance.

The practice of tax avoidance is an effort made by taxpayers so that the tax payable can be minimized. The practice of tax avoidance emphasizes the efforts that can be made but do not violate the provisions or regulations of the applicable tax laws. The purpose of the establishment of the law in collecting taxes is to obtain state income from large tax revenues. However, there are various loopholes (loopholes) in the tax law making tax avoidance practices often carried out by taxpayers. The practice of tax avoidance does not violate the contents of the law (the letter of law), but does not support the purpose of the tax law ([www.pajak.go.id](http://www.pajak.go.id)).

In this study, the measurement of tax avoidance practices uses the GAAP ETR (Effective Tax Rate) proxy, namely by dividing the income tax burden with profit before tax. The measurement uses the GAAP ETR model because it can explain the practice of tax avoidance, the higher the percentage of ETR, the lower the tax avoidance, while the lower the percentage of ETR, the higher the tax avoidance. Siegfried (1972).

Transfer Pricing is a policy applied by the company in determining the transfer price of a transaction, whether in the form of goods, services, intangible assets, or financial transactions carried out by the company. There are two groups of transactions in transfer pricing, namely intracompany transfer pricing, which is transfer pricing between divisions within one company, and intercompany transfer pricing, which is transfer pricing between two companies that have a special relationship. The transactions themselves can be carried out in one country (domestic transfer pricing), or with different countries (international transfer pricing) (Setiawan, 2014).

The definition of transfer pricing can be divided into two, namely a neutral understanding and a pejorative understanding. Transfer pricing in a neutral sense assumes that transfer prices are purely a business strategy and tactic without a tax burden reduction motive. Meanwhile, Transfer Pricing in the pejorative sense assumes the transfer price as an effort to save the tax burden by tactics, including

shifting profits to countries with low tax rates (Suandy, 2008). Based on this understanding, transfer pricing can be used as an effort to practice tax avoidance, namely by shifting profits to countries with low tax rates. Transfer pricing carried out by the company is closely related to a transaction to a company that has a special relationship.

A special relationship based on PSAK 7 explains that parties that are considered to have a special relationship are parties that are considered to have a special relationship if one party has the ability to control another party or has significant influence over another party in making financial and operational decisions. Transactions carried out by related companies under PSAK are transactions between related parties, namely a transfer of resources or obligations between related parties, regardless of whether a price is taken into account.

Transfer pricing can be measured by distributing trade receivables to parties who have a special relationship with the total receivables contained in the company's financial statements. Thus, based on the percentage of the calculation results, it can be seen that transactions have been made to companies that have special relationships in carrying out transfer pricing practices.

Profitability is a ratio used to assess the ability of a company to generate profits or profits. According to Kasmir (2016) the profitability ratio is a ratio used to assess a company's ability to obtain profits or profits within a certain period. Measurement of profitability ratios can be done by calculating the comparison between the components contained in the company's financial statements. Profitability ratios can provide benefits for companies and external parties. According to Kasmir (2015) the objectives and benefits of using profitability ratios are: 1. To measure or calculate the profit earned by the company in a certain period; 2. To assess the company's profit position from the previous year to the current year. 3. To assess the development of profits from time to time. 4. To assess the amount of net profit after tax with personal capital. 5. To measure the productivity of all company funds used both loan capital and personal capital.

In this study, the measurement of profitability using the Return On Assets Ratio (ROA). ROA is one of the profitability ratios that can measure the company's ability to generate profits from the assets used. ROA is a comparison between profit before interest and taxes with total assets owned by the company (Andriyani, 2015).

ROA can be interpreted as a combination of profitability and activity. Calculating ROA as a composition between activity and profitability can inspire the causes of changes in ROA from time to time and has a function as the company's ability to generate profits and the company's ability to choose assets, so that the turnover is better (Prihadi, 2019). This study uses ROA because it can measure the company's ability to use its assets to generate

profits, so the company will use its resources to maximize performance compensation, namely by reducing the company's tax burden in order to maximize company performance (Olivia & Dwimulyani, 2019).

Institutional ownership is the percentage of share ownership owned by government or private institutions. Institutional ownership may include ownership by insurance companies, finance, or non-financial companies either by domestic or foreign institutions (Rahmawati, 2017). Institutional ownership can increase optimal monitoring of company performance. The greater the investment value given to the company, the management will be more careful in carrying out a policy. According to Faisal (2004) institutional ownership is a party that monitors companies with large institutional ownership (> 5%) can identify their ability to monitor management. The existence of institutional ownership in the company can encourage increased optimal supervision of management performance.

The supervision carried out is very dependent on the nominal or the amount of investment given. Institutional parties with larger shares than other shareholders can supervise management policies, so that management will avoid behavior that is detrimental to shareholders. The greater the institutional ownership, the stronger the control exerted by external parties on the company. The company's management will implement policies to optimize the value of the company so that company performance will increase. External shareholders have an incentive to be able to monitor and influence management fairly to protect their investment in a company (Wahidahwati, 2002). Institutional ownership can be measured by dividing the number of shares owned by institutions in the company by the total shares outstanding, this calculation is used to determine the amount of institutional share ownership in a company, because the size of institutional ownership will affect the aggressive tax policy (tax avoidance) carried out by the company (Idzni & Purwanto, 2017).

In this study, the researchers focused on the variables dependent and independent to obtain the following framework:

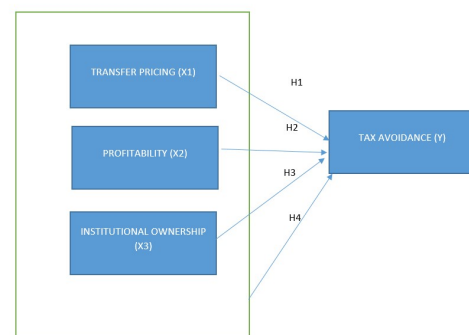


Figure 2. Research Framework



Companies tend to charge lower transfer prices to companies that have a related relationship, compared to companies that are not related, this is done to shift their taxes to countries where the company has a low tax rate. This of course can reduce state revenue through taxes, because companies that carry out transfer pricing with low transfer pricing can reduce the profits earned by the company, so that the taxes paid are lower. Transfer pricing is often referred to as a reasonable action in tax avoidance activities, because companies carry out transfer pricing practices in order to outsmart the amount of profit (profit) so that tax payments to the state are low (Nurrahmi & Rahayu, 2020).

Putri & Mulyani (2020), Nurrahmi & Rahayu (2020), and Lutfia & Pratomo (2018) found their research results related to the effect of transfer pricing on tax availability that the independent variable transfer pricing has a positive effect on tax avoidance practices. The results of the study show that transfer pricing can improve tax avoidance practices. This is because multinational companies will try to minimize the global tax burden by exploiting loopholes in a country's tax provisions, giving rise to opportunities for tax avoidance.

H1 : Transfer Pricing has an effect on the practice of tax avoidance (Tax Avoidance)

The company's goal in running its business is to get the maximum profit or profit. The company's ability to earn profits is measured by the profitability ratio. Profitability ratios in various studies use the Return On Assets (ROA) proxy to measure the relationship between profitability and tax avoidance practices. ROA describes the ability of the company's asset management to generate profits. The greater the ROA value describes the company as having high profits and having good performance in the utilization of its assets in generating profits, and vice versa.

Lestari & Asfar (2020), Olivia & Dwimulyani (2019), and Rinaldi & Cheisviyanny (2015) found their research results related to the effect of profitability proxied by ROA that profitability has a significant positive effect on tax avoidance because the more efficient the company, the less tax paid. so that the company's effective tax rate is lower, a low effective corporate tax rate is a proxy for a high level of tax avoidance.

H2 Profitability has an effect on Tax Avoidance Practices

Relationship of Institutional Ownership to Tax Avoidance Practices

Institutional ownership is the percentage of share ownership owned by government or private institutions. Institutional ownership may include ownership by insurance companies, financial, or non-financial companies either by domestic or foreign institutions. Institutional ownership can be measured by the total percentage of institutional ownership in the company. (Rahmawati, 2017).

Institutional ownership can increase optimal monitoring of company performance. The greater the investment value given to the company, the management will be more careful in carrying out a policy including tax avoidance policy. The research of Putri & Lawita (2019), Mulyani, Wijayanti, & Masitoh (2018), and Idzni & Purwanto (2017) found their research results related to the effect of institutional ownership on tax avoidance that institutional ownership has a significant positive effect. This is because the greater the institutional ownership, it will encourage the institution to manage the company for its own sake to obtain profit optimization, so that the tendency to practice tax avoidance will increase.

H3 : Institutional Ownership Affects Tax Avoidance Practices

Putri & Mulyani (2020), Olivia & Dwimulyani (2019), and Putri & Lawita (2019) found their research results related to the effect of transfer pricing, profitability, and institutional ownership having a significant positive effect. Transfer pricing can appear in companies that have high profit goals and tax avoidance as one way (Noviastika F, Mayowan, & Karjo, 2016). Transfer pricing is used by companies to break down the profits earned by companies by shifting their profits to countries that have low tax rates. This is done with the aim of maximizing the level of profitability of a company. The company's profitability describes the company's ability to generate profits. The profits obtained by the company, in this case the profit after tax expense, can be a determinant of satisfaction for the owners of capital or company shares. The owner of capital or shares also monitors every manager's policy to achieve the goal of obtaining company profits. So that every policy made by managers is expected to benefit institutional investors.

H4 : Transfer Pricing, Profitability, and Institutional Ownership together have an effect on Tax Avoidance Practices

### 3. RESEARCH METHOD

This quantitative research was conducted on mining companies listed on the Indonesia Stock Exchange (IDX) from 2015 to 2019. This research period was taken because it is still relevant to current conditions to be studied. The population in the preparation of this thesis is all mining companies listed on the Stock Exchange. Indonesia (IDX) from 2015 to 2019. The data collection method in this study used the documentation method.

Transfer Pricing measurement used in this study is to compare the total trade receivables of related parties with the total trade receivables. Previous researchers who used this formula were Panjalusman, Nugraha, & Setiawan (2018).

Profitability measurement used in this research is using ROA (Return On Assets), namely by comparing profit after

tax with total assets owned by the company. The previous researcher who used this formula was Brigham & Houston (2001). The measurement of Institutional Ownership used in this study was to compare the total institutional ownership with the total outstanding shares. Previous researchers who used this formula were Patricia, Brien, & Bhushan (1990).

The measurement of tax avoidance practices used in this study uses the GAAP ETR (Effective Tax Rate) proxy, namely by dividing the income tax burden with profit before tax. The measurement uses the GAAP ETR model because it can explain the practice of tax avoidance, the higher the percentage of ETR, the lower the tax avoidance, while the lower the percentage of ETR, the higher the tax avoidance. The previous researcher who used this formula was Siegfried (1972). The research model as shown below:

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
TP	32	.04262	98.93354	24.5385682	32.25596183
ROA	32	.56504	36.46976	14.1441990	8.72350042
KI	32	26.00000	97.00000	70.9367021	19.76915065
TA	32	22.95634	54.74449	31.1434936	7.14113738
Valid N (listwise)	32				

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + e... (1)$$

Y = Tax Avoidance

$\alpha$  = Konstanta

$\beta 1,2,3$  = Coefficient

X1 = Transfer Pricing

X2 = Profitability

X3 = Institutional Ownership

e = Error

#### 4. RESULT, DISCUSSION AND CONCLUSION

The Transfer Pricing variable (X1) has the lowest value of 0.04262, the highest value of 98.93354, the average value is 24.5385682, and the standard deviation value is 32.25596183. The highest transfer pricing value occurred at PT. Samindo Resources Tbk in 2015 and the lowest transfer pricing value occurred at PT. Adaro Energy Tbk in 2017.

Profitability (ROA) (X2) has the lowest value of 0.56504, the highest value of 36.46976, the average value of 14.1441990, and the standard deviation of 8.72350042. The highest ROA value occurred at PT. Baramulti Suksessarana Tbk in 2017, and the lowest ROA value occurred at PT. Darma Henwa Tbk in 2015 Institutional Ownership (X3) had the lowest value of 26,00000, the highest value of 97,00000, the average value of 70.9367021, and the standard deviation of 19.76915065. The highest value of institutional ownership occurs in PT. Golden Energy Mines Tbk for each year starting from 2015 to 2019 and the lowest institutional ownership value occurred at PT. Baramulti Suksessarana Tbk in 2015.

Tax Avoidance (X4) has the lowest score of 22.95634, the highest score of 54.74449, the average value of 31.1434936, and the standard deviation of 7.14113738. The highest value of tax avoidance practices occurs at PT. Darma Henwa, Tbk in 2015, and the lowest value of tax avoidance occurred at PT. Golden Energy Mines Tbk in 2016. Overall, the standard deviation value is smaller than the average value indicating good results. And the regression equation obtained:

$$TA = 45,433 - 0,079 (X1) - 0,304 (X2) - 0,113 (X3)$$

The test shows that profitability has a significant negative effect on tax avoidance practices in mining companies listed on the Indonesia Stock Exchange in 2015-2019. This is evidenced by the acquisition of a significance value of 0.000, where the results have met the requirements of a hypothesis that can be accepted or have a significant effect, namely <0.05. Thus, H2 can be stated that Profitability has an effect on Tax Avoidance, and the results of the coefficient of determination test show that the Profitability (ROA) variable has an effect of 35.3% on Tax Avoidance. The results of the coefficient of determination can be a supporter that there is an influence between Profitability (ROA) on Tax Avoidance Practices.

Profitability (ROA) has a negative effect on Tax Avoidance Practices because the company, in this case the Corporate Taxpayer, who has a large profit obtained by using all of its assets proves that the company does not practice tax avoidance. have a large profit can pay or carry out their tax obligations well, so the motivation to practice tax avoidance is minimal. Companies that have high profitability tend to report their tax payable honestly compared to companies that have low profitability. Companies with low profitability generally experience financial difficulties and tend to do tax non-compliance in this case tax avoidance (Slemrod, 1998).

The results of this study are in line with the research of Syudaha, Yusnaini, & Meirawati (2019) which found that Return On Assets had a negative effect on tax avoidance practices, this means that the greater the profit owned by the company, the lower the level of tax avoidance. The results of this study prove that the greater the profitability (ROA) of mining companies, does not motivate companies to practice tax avoidance, this is because the company can pay the tax it owes with the profits it has without tax avoidance.

Institutional Ownership has a negative effect on Tax Avoidance Practices because institutional ownership in a company has supervisory authority over every company activity, the level of institutional ownership is large, the supervision carried out on the company is also large, so it can monitor every management action including actions in terms of tax avoidance practices. Therefore, companies that have large institutional ownership, the practice of tax avoidance (tax avoidance) of a company will be reduced

because of the high supervision carried out by external investors in this case institutional ownership.

The results of this study are in line with Lutfia & Pratomo (2018), which found that institutional ownership has a negative effect on tax avoidance practices. This is because the higher the percentage of institutional ownership of a company, the greater the supervision of management performance, this will have an impact on the supervision of a company's tax reporting. Thus, institutional ownership can reduce the occurrence of tax avoidance practices. The results of this study prove that the greater the institutional ownership in mining companies, does not motivate companies to practice tax avoidance, this is because the amount of supervision carried out by external investors in this case institutional ownership, can reduce tax avoidance practices carried out by company.

Profitability, and Institutional Ownership have an effect on Tax Avoidance Practices. This is based on the results of variable testing by getting a result of 0.000 which means it is smaller than 0.05 then H4 is accepted. Thus, Transfer Pricing, Profitability, and Institutional Ownership have an effect on Tax Avoidance Practices in mining companies listed on the Indonesia Stock Exchange from 2015 to 2019. The results of the coefficient of determination test show that the variables Transfer Pricing, Profitability, and Institutional Ownership have an influence of 48.8% on Tax Avoidance. This means that the size of Transfer Pricing, Profitability, and Institutional Ownership together have an influence on Tax Avoidance Practices.

## CONCLUSION

Transfer Pricing has a significant negative effect on Tax Avoidance Practices in mining companies listed on the Indonesia Stock Exchange in 2015-2019. The government's new policy related to transfer pricing can reduce the motivation of companies to practice tax avoidance through transfer pricing.

Profitability has a significant negative effect on Tax Avoidance Practices. Because companies that have large profits can pay or carry out their tax obligations well, the motivation of companies to practice tax avoidance is very small. Medium Institutional Ownership has a significant negative effect on Tax Avoidance Practices. The greater the institutional ownership of a company, the greater the supervision of the company, this can also have an impact on the supervision of tax reporting, so that institutional ownership can reduce tax avoidance practices.

Transfer Pricing, Profitability, and Institutional Ownership together have an effect on Tax Avoidance Practices. This means that the size of the transfer pricing, profitability, and institutional ownership of companies that are carried out or owned by companies have an influence on tax avoidance practices.

This research has limitations. Results cannot be generalized. This study also uses the average value of the data as a calculation and the study only uses the variables of Transfer Pricing, Profitability, and Institutional Ownership. In this study, the proxy for Tax Avoidance Practices only uses the Effective Tax Rate (ETR).

Further research is needed with other indicators such as managerial ownership, foreign ownership, and others. Further research can add tax avoidance proxies such as Book-Tax Difference, GAAP ETR, CASH ETR, and others and the object of research can be expanded not only to mining companies listed on the Indonesia Stock Exchange.

The benefits of this research are for company management, as a reference for drafting policies regarding the mechanism for implementing the company's taxation properly, by not carrying out illegal tax planning or violating the law.

For the government, in order to improve supervision of certain business entities that report their tax obligations, as well as provide adequate knowledge for taxpayers, especially corporate taxpayers. That way the tax revenue is more optimal. Tax officials are expected to provide certainty of fairness and honesty in carrying out their duties, thereby suppressing the practice of tax evasion.

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