



## ***The Role Of Governance And Transfer Pricing In Affecting Tax Avoidance: A Study Of Technology Companies***

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**Abstract.** *This study aims to examine the effect of corporate governance and transfer pricing on tax avoidance in technology companies listed on the Indonesia Stock Exchange (IDX) for the period 2019–2022. The independent variables used in this study are audit committee, independent commissioner, institutional ownership, managerial ownership, and transfer pricing, while the dependent variable is tax avoidance which is proxied by the effective tax rate (ETR). This study uses a quantitative approach with multiple linear regression analysis methods. The results of the study indicate that the audit committee and transfer pricing have a significant effect on tax avoidance, while independent commissioners, institutional ownership, and managerial ownership do not have a significant effect.*

**Keywords:** *Corporate Governance; Transfer Pricing; Tax Avoidance*

### **1. INTRODUCTION**

Taxes are a mandatory contribution paid by the public to the state and constitute a major component of state revenue. (Kolondam & Permatasari, 2024) Funds collected from taxes are used to finance various public needs and national development.

Tax collection is categorized as a binding obligation because it is implemented based on legal provisions as stipulated in Article 1, Paragraph 1 of Law Number 28 of 2007 on General Provisions and Taxation. For the state, taxes are a primary source of revenue that is crucial in supporting the financing of various sectors. However, from the perspective of business actors, taxes are often viewed as a burden because they directly reduce profits (Wicaksono, 2017). This view is shared not only by companies but also by the public in general, who often feel burdened and forced to fulfill their tax obligations. This situation encourages many parties to seek ways to reduce the tax burden as part of business cost efficiency. This reluctance is reinforced by psychological factors, as most taxpayers fundamentally dislike the obligation to pay taxes (Mangunsong, 2002), particularly because taxes provide no direct benefit to the payer (Mangoting, 1999). Consequently, a tendency to engage in tax avoidance, both legal and covert, emerges.

This tendency to avoid taxes is generally pursued by companies as part of a business strategy to maximize profits and streamline expenditures, while still taking into account potential risks (Miradji et al., n.d.). In practice, many companies view taxes as a cost

component that can be reduced, thus encouraging them to engage in tax avoidance through legal means. Tax avoidance is considered a strategic move because it is not illegal and does not lead to direct conflict with tax authorities. However, companies must remain aware that this strategy carries its own risks, such as the potential for administrative sanctions and damage to their public reputation (R. A. Putri & Kartika, 2025).

Even though tax avoidance is conducted legally and does not violate applicable tax regulations, this practice still impacts state revenue. In Indonesia, one factor driving high levels of tax avoidance is the implementation of the self-assessment system, which provides taxpayers with the flexibility to independently calculate, pay, and report their taxes. While this system is designed to encourage tax awareness and compliance, it actually opens up opportunities for companies to exploit this flexibility to reduce their tax burden without explicitly violating the law (Saputri & Kamil, 2021).

Companies often view tax avoidance as a strategy that provides significant economic benefits and a relatively inexpensive source of financing (Armstrong et al., 2015). Within a company's organizational structure, there is a relationship between shareholders as principals and managers as agents. Shareholders, as company owners, desire a reduced tax burden to increase profits. Therefore, they expect tax avoidance strategies to be implemented proportionally—not too low as it would reduce profits, but not too high as it would risk sanctions and damage the company's reputation (Armstrong et al., 2015).

On the other hand, managers who have control over decision-making can act opportunistically by utilizing tax avoidance strategies for short-term interests that may not align with the long-term goals of shareholders (Desai & Dharmapala, 2006). Such actions can jeopardize business continuity, thus requiring effective corporate governance mechanisms to control potential conflicts of interest resulting from agency problems in the context of tax avoidance (Minnick & Noga, 2010). Given the differing perspectives among stakeholders, with the government and the public tending to view tax avoidance negatively, while managers and shareholders view it positively, research on tax avoidance must consider the complex relationships between these interests.

In addition to corporate governance factors, transfer pricing practices are also a crucial element contributing to tax avoidance. According to Directorate General of Taxes

Regulation No. PER-02/PJ/2019, transfer pricing refers to the pricing of transactions between related parties. Meanwhile, according to the Organization for Economic Co-operation and Development (OECD), transfer pricing is defined as the price determined in transactions between entities within a business group, particularly multinational corporations. These prices often do not reflect true market value, as long as they serve the group's internal interests. This practice is often exploited as a form of tax avoidance, for example, by raising purchase prices and lowering sales prices between group entities located in countries with lower tax rates (Mahulae et al., 2016).

Putri & Mulyani (2020) state that multinational companies often implement transfer pricing practices in response to significant differences in tax rates across countries. This situation encourages companies to establish subsidiaries in countries with lower tax rates to reduce their tax liabilities. Additionally, multinational companies can utilize transfer arrangements between divisions or subsidiaries to reduce the amount of tax paid to local tax authorities. The primary goal of this strategy is to minimize the overall tax burden borne by the business group.

## **2. LITERATURE REVIEW**

### **Agency Theory**

Agency theory describes the relationship between two parties: a principal and an agent. In the context of tax avoidance, the principal is the government, the party with authority, while the agent refers to the implementing party, namely the company or taxpayer (Yuliana & Wahyudi, 2018). In the tax system, the government entrusts companies with the responsibility to calculate, report, and pay taxes independently. However, in practice, companies often fail to fully exercise this authority with good faith and high levels of compliance. In practice, companies often fail to fulfill these obligations optimally. They tend to employ specific strategies to reduce the tax burden, for example, by increasing costs or suppressing revenues, in order to lower the actual tax payable.

According to Jensen & Meckling (2019), the interaction between a principal and an agent is based on a contractual agreement, in which the agent is granted the principal authority to make decisions on behalf of the principal. Both the agent and the principal act as parties seeking to maximize their respective interests or utility. Agency theory aims

to strengthen the capacity of both agents and principals to understand the dynamics of the external environment, make informed decisions, and evaluate the outcomes of those decisions. This approach is crucial to ensure that the distribution of results or profits between agents and principals is proportional and fair, in accordance with previously agreed contractual provisions (K. Utami et al., 2020).

### **Tax Avoidance**

Tax avoidance is a strategy used by individuals and business entities to legally reduce their tax burden by exploiting loopholes or provisions in applicable tax regulations. This practice is carried out without breaking the law, as it remains within the formal provisions established by the tax authorities (Ariefiara et al., 2015). This differs from tax evasion, which involves illegal activities to avoid paying taxes. While tax avoidance is generally considered acceptable because it utilizes legal loopholes and incentives, it can sometimes raise ethical concerns as it can be perceived as exploiting the tax system to gain an unfair advantage. Regulations and public opinion regarding tax avoidance can vary, and governments frequently update tax laws to address loopholes and ensure a fair distribution of the tax burden (Mardjono et al., 2024).

### **Corporate Governance**

Corporate governance is a set of principles and practices used to manage a company responsibly and transparently. The implementation of effective corporate governance plays a crucial role in safeguarding and protecting the interests of all stakeholders, from shareholders, employees, consumers, suppliers, to the wider community (Suyono, 2017). Furthermore, good corporate governance can also contribute to reducing the likelihood of tax avoidance practices by increasing transparency and accountability in corporate decision-making by companies because it can help companies improve transparency and accountability, enhance oversight, and foster an ethical culture (N. W. Utami, 2013).

### **Audit Committee**

An audit committee is a body or group formed within an organization or company to assist and provide independent oversight of the audit and financial control functions. The primary function of an audit committee is to ensure that a company's financial statements are accurate, accounting policies and practices are followed correctly, and

financial risks are managed effectively (Dewi Indriasih, 2020). Audit committees contribute significantly to ensuring the integrity and transparency of a company's financial information and minimizing the financial risks the company may face. Their role also helps build shareholder and public confidence in the company's finances (Jenny Morasa et al., 2023).

H1: Audit committees have a positive effect on tax avoidance.

### **Independent Commissioner**

Independent commissioners are members of a company's board of commissioners who have no significant business ties or financial interests in the company. They are responsible for bringing independent perspectives and judgment to the company's decision-making process. In this context, "independent" refers to independence from the influence or control of certain parties that could affect their objectivity and independence. Independent commissioners play a crucial role in overseeing the company's operational activities and the actions of managers and owners, as agreed upon between the principal and agent (A. R. F. Putri & Putikadea, 2025). The presence of independent commissioners on the board of directors is considered essential for developing transparency, accountability, and balance in company decision-making. They help ensure that policies and decisions are made with the interests of all shareholders and the company as a whole in mind. Company regulations or guidelines may stipulate specific requirements regarding commissioner independence (Tambunan, 2021).

H2: Independent commissioners have a positive effect on tax avoidance behavior.

### **Institutional Ownership**

Institutional ownership refers to the proportion of a company's shares held by large institutions, such as financial institutions, pension funds, insurance companies, investment funds, or other institutional entities, rather than by individuals or retail investors. This type of ownership is believed to have a significant influence on company behavior and overall capital market dynamics. Information on institutional ownership is generally included in a company's financial statements and can also be accessed through relevant financial publications. Monitoring and analyzing institutional ownership can

provide additional insights to investors seeking to understand the dynamics and potential price movements of a company's shares (Purwanto, 2020).

H3: Institutional ownership has a positive effect on tax avoidance.

### **Managerial Ownership**

Managerial ownership refers to a situation where a portion of a company's shares is owned by individuals directly involved in operational management, such as managers or executives. When managers own shares in the company they work for, it is categorized as a form of managerial ownership. This can include direct stock ownership, stock options, or other forms of equity ownership (Aini & Buanaputra, 2023). The level of managerial ownership can vary. In some cases, managers may have significant ownership, while in others, their ownership may be more limited. Consequently, managerial ownership practices are often disclosed in annual reports (Wa et al., 2021).

H4: Managerial ownership has a positive effect on tax avoidance.

### **Transfer Pricing**

Transfer pricing refers to the pricing of transactions between business units or subsidiaries within a single company. This is crucial for multinational corporations with business entities in multiple countries. The purpose of transfer pricing is to determine a fair price for goods, services, or intellectual property traded between affiliated business entities, in accordance with tax and financial principles (Santoso, 2004).

H5: Transfer pricing has a positive effect on tax avoidance.

## **3. RESEARCH METHODS**

This study is a quantitative study that uses numerical data with data sources in the form of annual financial reports of technology companies listed on the Indonesia Stock Exchange (IDX) for the period 2019–2022 and processed using SPSS version 30 statistical program analysis. The data used includes secondary data and the population in this study are all technology companies on the IDX, while the sample was selected using the purposive sampling method based on certain criteria as follows:

Criteria	Population
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Financial reports of technology companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022.	34
Annual reports and annual financial reports for four consecutive years, namely from 2019-2022, can be accessed through the official IDX website (www.idx.co.id) or the websites of each company concerned.	(9)
All annual financial reports used in this study have a fiscal year period ending on December 31. This standardization is carried out to ensure sample consistency and the validity of the analysis results obtained.	(0)
Companies that experienced losses in the period 2019-2022.	(9)
Number of companies that meet the criteria	16
Multiplied by 4 years of research	64
Extreme data outliers	(5)
Research data	59

#### 4. RESULTS AND DISCUSSION

##### Results

##### Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
Komite Audit	59	1.00	2.24	1.4351	.16065
Komisaris Independen	59	.00	.82	.5797	.19047
Kepemilikan Institusional	59	.00	1.00	.6580	.32033
Kepemilikan Manajerial	59	.00	1.00	.3286	.33487
Transfer Pricing	59	.00	.99	.3862	.30466
Tax Avoidance	59	.07	.76	.4278	.13128
Valid N (listwise)	59				

The Audit Committee variable has a minimum value of 1.00 while the maximum value is 2.24. The average value of the Audit Committee is 1.4351 and the standard deviation is 0.16065 indicating a relatively small deviation in the Audit Committee variable.

The Independent Commissioner variable has a minimum value of 0.00 while the maximum value is 0.82. The average value of the Independent Commissioner is 0.5797 and the standard deviation is 0.19047 indicating a relatively small deviation in the Independent Commissioner variable.

The Institutional Ownership variable has a minimum value of 0.00 while the maximum value is 1.00. The average value of Institutional Ownership is 0.6580 and the standard deviation is 0.32033 indicating a relatively small deviation in the Institutional Ownership variable.

The Managerial Ownership variable has a minimum value of 0.00 and a maximum value of 1.00. The average value of Managerial Ownership of 0.3286 and the standard deviation of 0.33487 indicate that there is variation in the data in the Managerial Ownership variable.

The Transfer Pricing variable has a minimum value of 0.00 and a maximum value of 0.99. The average value of Transfer Pricing of 0.3862 and the standard deviation of 0.30466 indicate that there is a relatively small deviation in the Transfer Pricing variable.

The ETR variable, which is a proxy for Tax Avoidance, has a minimum value of 0.07 and a maximum value of 0.76. The average value of ETR of 0.4278 and the standard deviation of 0.13128 indicate that there is a relatively small deviation in the ETR variable.

#### One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		59
Monte Carlo Sig. (2-tailed) <sup>e</sup>	Sig.	.186



In the Asymp. Sig. (2-tailed) value table, the results of the Kolmogorov Smirnov test are 0.186, which is greater than 0.05. So it can be interpreted that the data variables are normally distributed.

#### **Coefficients<sup>a</sup>**

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Komite Audit	.859	1.164
	Komisaris Independen	.867	1.154
	Kepemilikan Institusional	.316	3.166
	Kepemilikan Manajerial	.299	3.349
	Transfer Pricing	.873	1.146

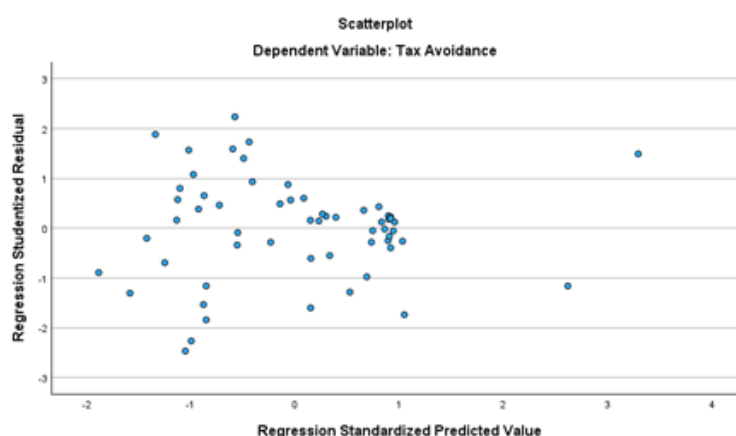
In the Audit Committee variable, the tolerance and VIF values are 0.859 and 1.164, which means greater than 0.10. So the Audit Committee variable is stated to have no symptoms of multicollinearity. In the Independent Commissioner variable, the tolerance and VIF values are 0.867 and 1.154, which means greater than 0.10. So the Independent Commissioner variable is stated to have no symptoms of multicollinearity. In the Institutional Ownership variable, the tolerance and VIF values are 0.316 and 3.166, which means greater than 0.10. So the Institutional Ownership variable is stated to have no symptoms of multicollinearity. In the Managerial Ownership variable, the tolerance and VIF values are 0.299 and 3.349, which means greater than 0.10. So the Managerial Ownership variable is stated to have no symptoms of multicollinearity. In the Transfer Pricing variable, the tolerance and VIF values are 0.873 and 1.146, which means they are greater than 0.10. So the Transfer Pricing variable is stated to have no symptoms of multicollinearity.

#### **Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate	Durbin-Watson
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1	.490 <sup>a</sup>	.240	.168	.11971	1.845
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The test results in the table show Durbin-Watson of 1.845 values will be compared with the provisions of the number of samples (59) and the number of independent variables ( $k = 5$ ). So the value of  $dL = 1.4019$  and  $dU = 1.7672$ . It can be concluded that the results show no symptoms of autocorrelation because the Durbin Watson results obtained  $dU < d < 4-dU$ , namely  $1.7672 < 1.845 < 2.2328$



It can be seen in the scatterplots graphic display that the data distribution points do not form a clear pattern, the points spread above and below the number 0 on the Y axis. A good regression model is homoscedasticity or no heteroscedasticity. The presence of heteroscedasticity in regression can be determined using several methods, one of which is the White test.

#### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.660 <sup>a</sup>	.435	.201	.01716

a. Predictors: (Constant), X4X5, X2X5, Komite Audit, X2X4, X3X4, X2\_Kuadrat, X3\_Kuadrat, X3X5, X1X2, X5\_Kuadrat, X4\_Kuadrat, X2X3, Komisaris Independen, X1X5, Kepemilikan Institusional, X1\_Kuadrat, Kepemilikan Manajerial

b. Dependent Variable: U2T

With the White Test, the calculated c2 value (25.724) is smaller than the c2 table value (76.777803) so it can be concluded that there are no symptoms / free from heteroscedasticity tests. This concludes that this regression model has met the assumption of heteroscedasticity and shows that the data variation is homoscedastic.

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.185	.199		.926	.359
Komite Audit	.222	.106	.272	2.107	.040
Komisaris Independen	-.021	.089	-.030	-.237	.814
Kepemilikan Institusional	.011	.087	.027	.127	.899
Kepemilikan Manajerial	-.006	.086	-.016	-.074	.941
Transfer Pricing	-.179	.055	-.416	-3.243	.002

a. Dependent Variable: Tax Avoidance

From these data, it can be concluded that the ETR variable is influenced by the Audit Committee, Independent Commissioners, Institutional Ownership, Managerial Ownership, Transfer Pricing with the following mathematical equation:

$$ETR = 0,185 + 0,222KA - 0,021KI + 0,011KI - 0,006KM - 0,179TR + \varepsilon$$

Description:

ETR = Effective Tax Rate

KA = Audit Committee

KI = Independent Commissioner

KI = Institutional Ownership

KM = Managerial Ownership

TF = Transfer Pricing

Based on the test results of the t-test of the independent variable, namely the Audit Committee, it has a significance value of 0.040, which is less than 0.05 and a t-value of 2.107. So it can be concluded that the Audit Committee has an effect on Tax Avoidance

Based on the test results of the t-test of the independent variable, namely the Independent Commissioner, it has a significance value of 0.814, which is greater than 0.05 and a t-value of -0.237. So it can be concluded that the Independent Commissioner has no effect on Tax Avoidance

Based on the test results of the t-test of the independent variable, namely Institutional Ownership, it has a significance value of 0.899, which is greater than 0.05 and a t-value of 0.127. So it can be concluded that Institutional Ownership does not affect Tax Avoidance

Based on the test results of the t-test of the independent variable, namely Managerial Ownership, it has a significance value of 0.941, which is greater than 0.05 and a t-value of -0.074. So it can be concluded that Managerial Ownership does not affect Tax Avoidance

Based on the results of the t-test of the independent variable, namely Transfer Pricing, it has a significance value of 0.002, which is smaller than 0.05 and a calculated t value of -3.243. So it can be concluded that Transfer Pricing has an effect on Tax Avoidance.

#### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.240	5	.048	3.349	.011 <sup>b</sup>
	Residual	.760	53	.014		
	Total	1.000	58			

a. Dependent Variable: Tax Avoidance

b. Predictors: (Constant), Transfer Pricing, Komite Audit, Komisaris Independen, Kepemilikan Institusional, Kepemilikan Manajerial

The sign value of  $0.011 < 0.05$  and the calculated f value of 3.349 is greater than the f table of 2.39 so it can be concluded that there is an influence of the variables Audit Committee (X1), Independent Commissioner (X2), Institutional Ownership (X3), Managerial Ownership (X4), Transfer Pricing (X5) on the Tax Avoidance variable (Y).

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.490 <sup>a</sup>	.240	.168	.11971

a. Predictors: (Constant), Transfer Pricing, Komite Audit, Komisaris Independen, Kepemilikan Institusional, Kepemilikan Manajerial

b. Dependent Variable: Tax Avoidance

From the table above, it can be explained that the R Square value is 0.240 or 24.0% which shows that there is a simultaneous influence between the independent variables, namely the Audit Committee, Independent Commissioners, Institutional Ownership, Managerial Ownership, Transfer Pricing on the dependent variable Tax Avoidance of 24.0% and the remaining 76.0% is influenced by other variables.

## **Discussion**

### **A. The Influence of the Audit Committee on Tax Avoidance**

The results show that the audit committee has a positive effect on ETR. The higher the audit committee, the higher the ETR. A high ETR value indicates lower tax avoidance. Because ETR and tax avoidance have an inverse relationship, the results show that the audit committee has a negative effect on tax avoidance, meaning that the more active or larger the audit committee, the lower the level of tax avoidance. According to the regulations of the Indonesia Stock Exchange (IDX), a company is required to have a minimum of three members on the audit committee. If the number of audit committee members does not meet the standards set by the Indonesia Stock Exchange (IDX), it will increase management actions in minimizing profits for tax purposes (Pohan, 2008). In

this context, agency theory explains the role of the audit committee as a supervisory mechanism that bridges the interests of agents (management) and principals (shareholders). In agency theory, the potential for conflicts of interest between agents and principals can be minimized through effective internal supervision, one of which is through the audit committee. The higher the presence of an audit committee in a company, the better the quality of good corporate governance (GCG) within the company, thereby reducing the possibility of tax avoidance practices. This indicates that audit committees, tasked with overseeing the preparation of company financial reports, can prevent management fraud. Companies with audit committees tend to demonstrate greater transparency and accountability in financial reporting due to stricter internal oversight. Therefore, it can be concluded that audit committees in technology companies have optimally carried out their duties and roles in accordance with corporate governance principles. This finding is consistent with previous research by (Noviyanti & Setiawati, 2021), (Maharani & Suardana, 2014) dan (Mahulae et al., 2016).

## **B. The Influence of Independent Commissioners on Tax Avoidance**

The regression results revealed that the independent commissioner variable had no effect on tax avoidance. Conceptually, the presence of independent commissioners is a crucial element in the corporate governance structure, tasked with overseeing management performance to ensure it remains within the interests of shareholders and complies with applicable laws and regulations. Within the framework of agency theory, independent commissioners are expected to mitigate conflicts of interest between agents (management) and principals (shareholders) through an objective and independent oversight function. However, in practice, this role is often ineffective. This is due to the limited technical competence of independent commissioners in understanding complex tax strategies and limited access to internal company information. Furthermore, in the context of developing countries, independent commissioners often serve only a symbolic role and lack real power to intervene in management policies, including tax avoidance. Weak law enforcement and external oversight systems exacerbate this situation, making tax avoidance difficult to prevent even with the presence of independent commissioners. On the other hand, incentive conflicts also play a role, where independent commissioners may support tax avoidance strategies as long as they are perceived as financially

beneficial to the company in the short term. Management's dominance over strategic decision-making also weakens the board of commissioners' position. Therefore, although the presence of independent commissioners is formally assumed to strengthen governance and reduce tax avoidance practices, in reality, this variable often has no significant impact due to their limited role in the company's organizational structure and oversight system. The results of this study align with those of (Al Zaytun & Anjilni, 2023), (Sahara, 2022) dan (Yahya et al., 2021).

### **C. The Influence of Institutional Ownership on Tax Avoidance**

The regression analysis findings indicate that institutional ownership has no effect on tax avoidance. Institutional ownership is theoretically assumed to enhance management oversight, including preventing tax avoidance practices. This is based on agency theory, which states that the separation of ownership and control within a company can create conflicts of interest between agents (management) and principals (shareholders). In this context, institutional investors are expected to mitigate these conflicts through active monitoring of managerial policies, including taxation policies. Institutions are assumed to possess sufficient resources, expertise, and incentives to monitor company performance. However, in practice, institutional ownership often has no significant impact on tax avoidance. One reason for this is the differing objectives among institutional investors. Not all institutions have long-term interests; some are oriented toward short-term profits, thus supporting tax avoidance strategies as a means of increasing the company's net income. Furthermore, institutions with small ownership stakes tend to be passive and not actively involved in management oversight. Even with significant ownership, some institutions choose not to intervene in operational decisions and focus solely on investment returns. On the other hand, the complexity of tax policy makes tax avoidance difficult to directly detect by institutional owners, especially when it is conducted through legal and discreet means. Therefore, although institutional ownership is often associated with improved corporate governance quality, in the context of tax avoidance, this variable does not necessarily play a significant role because institutional share ownership is not always accompanied by active oversight of managerial policies, including tax policies. The results of this study align with those conducted by (Hendi & Angelina, 2021) dan (W. A. Putri & Halmawati, 2023).

#### **D. The Influence of Managerial Ownership on Tax Avoidance**

The results of the regression analysis indicate that managerial ownership has no effect on tax avoidance. This contradicts the theoretical assumption that managerial share ownership can reduce agency conflicts between managers and shareholders. Through this ownership, managers are believed to be more motivated to act in line with the company's goals and interests, as managers, who are also owners, have an incentive to act in the company's overall interests, including avoiding legal risks from aggressive tax avoidance practices. However, in practice, managerial ownership often has no significant impact on tax avoidance. This is due to several factors. First, managers who own shares in a company may be encouraged to engage in tax avoidance to increase net income and company value in the short term, which ultimately benefits them financially. Second, the proportion of managerial ownership in many companies is often relatively small, making it insufficient to influence the company's strategic policies, including tax policies. Third, it is possible that managers are more focused on performance targets or other personal incentives, so decisions regarding tax avoidance are based more on earnings management strategies, rather than their share ownership. Furthermore, managers may feel relatively secure in engaging in tax avoidance as long as it remains within the legal framework, thus avoiding the need to adjust their behavior based on ownership status. Therefore, although managerial ownership can theoretically influence tax policy, in empirical practice, this variable often has no effect on tax avoidance due to the complexity of management's motivations and incentive structures. The results of this study align with those of (Rego & Wilson, 2012), (Niandari et al., 2020) dan (Purnomo, 2021).

#### **E. The Effect of Transfer Pricing on Tax Avoidance**

The results indicate that transfer pricing negatively impacts the ETR. The higher the transfer pricing, the lower the ETR. A low ETR indicates higher tax avoidance. Because ETR has an inverse relationship with tax avoidance, transfer pricing positively impacts tax avoidance. According to (Hasibuan & Gultom, 2021), transfer pricing is a mechanism for determining prices or compensation for transactions of goods, services, or intellectual property rights conducted between business entities with special relationships. Existing special relationships create loopholes for multinational companies to conduct



transfer pricing through their subsidiaries or affiliates domiciled in other countries as a means of tax avoidance. This can occur because there are no detailed regulations regarding the disclosure of special relationships between one company and another, making transfer pricing assessments commonplace. Within the framework of this research, the transfer pricing variable shows a negative impact on tax avoidance practices. This means that the greater the value of accounts receivable from parties with special relationships, the higher the company's tendency to engage in tax avoidance. These findings support previous studies that revealed that companies tend to use transfer pricing mechanisms with affiliated entities abroad as a strategy to reduce their tax burden in their home country. This strategy is reflected in a declining effective tax rate (ETR), a strong indicator of tax avoidance activities through profit shifting to jurisdictions with lower tax rates. These research findings align with those of (Sadeva et al., 2020), (Sari & Ajengtiyas, 2021) and (N. Putri & Mulyani, 2020).

## **5. CONCLUSION**

This study aims to analyze the influence of Audit Committees, Independent Commissioners, Institutional Ownership, Managerial Ownership, and Transfer Pricing on Tax Avoidance in 16 technology companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2022 period. The results indicate that only audit committees and transfer pricing have a significant influence, with audit committees playing a role in suppressing tax avoidance, while transfer pricing actually encourages it. Conversely, Independent Commissioners, Institutional Ownership, and Managerial Ownership show no effect on tax avoidance.

These findings have several practical implications. For technology companies, it is crucial to strengthen the function and competence of Audit Committees in taxation and internal oversight, as well as evaluate the effectiveness of the roles of independent commissioners and institutional/managerial shareholders. For the government and regulators, stricter oversight of transfer pricing practices is needed, including strengthening reporting policies and increasing audit capacity. Socially and ethically, companies are encouraged to develop awareness of the importance of tax compliance for fiscal justice and sustainable national development.

Future research is recommended to expand the scope of study to sectors other than technology to make the results more general and relevant. In addition, because the independent variables in this study only explain 24% of the variation in tax avoidance, future researchers are advised to add other variables that have the potential to influence tax avoidance practices and extend the research period to obtain more comprehensive results.

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