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THE EFFECT OF TRANSFER PRICING, TAX INCENTIVES, THIN CAPITALIZATION, ON TAX AGGRESSIVENESS WITH COMPANY SIZE AS A MODERATE VARIABLE

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Abstract

This study aims to determine the effect of transfer pricing, tax incentives and thin capitalization on tax aggressiveness with firm size as a moderating variable. The object of research used is all manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2017-2019. This research is a type of quantitative research with secondary data based on the company's financial statements obtained from the Indonesia Stock Exchange website. The sample selection in this study used a purposive sampling method so that the sample that met the criteria was obtained by 73 companies. Data processing was carried out using the SPSS 25 application program with the research model using multiple linear regression and moderated regression analysis (MRA). The results of the research simultaneously show that the transfer pricing, tax incentives, and thin capitalization variables together have an effect on tax aggressiveness. The results partially show that transfer pricing has no positive effect on tax aggressiveness, tax incentives and thin capitalization have a positive and significant effect on tax aggressiveness. While the moderated regression analysis (MRA) test shows that the firm size variable cannot moderate the effect of transfer pricing and tax incentives on tax aggressiveness, however the firm size variable can moderate and strengthen the effect of thin capitalization on tax aggressiveness.

Keywords: *transfer pricing, tax incentives, thin capitalization, tax aggressiveness.*

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INTRODUCTION

Taxes according to Law Number 28 of 2007 are mandatory contributions to the state owed by individuals or entities that are coercive under the law, without receiving direct compensation and are used for the needs of the state for the greatest prosperity of the people. Tax is one of the largest sources of state revenue when compared to other revenues. Based on data from the Central Statistics Agency (BPS) in the last three years, namely in 2017-2019, domestic revenues sourced from taxation showed an average of 79.2% of the total State Revenue and Expenditure Budget. From these data it can be concluded that the income from the tax sector is the highest percentage so that taxes are considered the backbone of the state. Taxes are one source of government funds to fund development at the regional and central levels, such as budgeting for health and education, building public facilities and other activities with the aim of people's welfare. Tax collection can be forced because in its implementation it is based on the law.

The government has made various efforts to increase tax revenue so that the realization of tax revenue is in accordance with the initial target set by the government. However, the realization of tax revenue each year has not been able to reach the target. One of the obstacles to not maximizing tax revenue is due to tax evasion (Markana, 2020). The factor of tax avoidance is caused by differences in interests between the government and taxpayers, especially entities. The government considers taxes as income so it wants maximum tax. However, this is contrary to taxpayers, especially corporate taxpayers, they want a low tax burden, because taxes are considered an expense (expense) that can reduce company or profits (Suntari & Mulyani, 2020).

According to (Nainggolan & Sari, 2020), tax aggressiveness is a scheme carried out by a company or entity that aims to avoid taxes. According to (Wisanggeni, 2019), transfer pricing is a company policy in determining the transfer price of a transaction, whether in the form of goods or services or financial transactions carried out by the company. (Amidu, Coffie, & Acquah, 2019) states Although there are many factors that influence tax avoidance, it has been identified based on existing research that transfer pricing is the main mechanism used by companies for their profit transfer practices which result in tax avoidance. Smith in Suntari (2020) defines transfer pricing as a financial or tax benefit that is obtained when a company takes advantage of the differences in finance, economy, and regulations of each region of a different country. These benefits can be obtained because transactions between companies located in various tax jurisdictions provide great opportunities for tax avoidance (Suntari & Mulyani, 2020). This is in line with a 2019 report from Global Witness entitled Taxing Times for Adaro. From the report, it is stated that Adaro has practiced transfer pricing by taking advantage of the sale of coal to its subsidiaries at a price lower than the fair market price. With the tax planning in place for the transaction, Adaro's tax payments are allegedly lower by US$ 125 million or equivalent to Rp. 1.75 trillion (exchange rate of Rp. 14 thousand). Thus, this needs to be considered and investigated further.

Tax incentives can also be a tax avoidance strategy carried out by companies even though the state has provided tax facilities in the form of reducing rates to companies. The company will still minimize the tax burden it owes even though the state has provided tax incentive facilities in the form of lower rates (Rombe, Rahardjo, & Hartanto, 2017). Effective tax planning is important for profit-oriented companies, and the title of a successful manager is often determined by the success or failure of a tax planning strategy for tax avoidance (Rombe et al., 2017).

In addition, companies can avoid tax by utilizing the practice of thin capitalization. (Wisanggeni, 2019) explains that thin capitalization is the formation of a company's capital structure with a debt proportion that is much larger than share capital. Thin capitalization strategy is carried out by utilizing the use of debt as a cost with the aim of minimizing corporate taxes, because the interest expense from debt can be deducted from taxable income. Based on a report from the Tax Justice Network 2019, the Bentoel company transferred part of its income out of Indonesia by making loans with related party companies, with this loan Bentoel is required to pay a total interest of Rp. lost in tax revenues of US$11 million per year.

Based on the description above, the practice of tax aggressiveness is still an issue that must be considered, especially the case of tax aggressiveness in Indonesia and there are still differences

in the results of previous studies so that researchers are interested in conducting research related to the effect of transfer pricing, tax incentives, and thin capitalization, on tax aggressiveness. Researchers add tax incentives that are still not widely used in research to test tax aggressiveness.

The Effect of Transfer Pricing on Tax Aggressiveness

The development of technology that has been very fast and advanced has eliminated the boundaries of each country, one of which is the limit on sales transactions. Currently sales are not only made within a country, but can be done across countries. Transfer pricing schemes are used by management to reduce the company's tax burden, either through transactions with related parties (Related Party Transactions), transfers of profits to business groups that suffer losses, or transactions with companies in tax-free countries or low tax rates, commonly known as tax. haven country (Herianti & Chairina, 2019). Although many factors influence tax avoidance, it has been identified based on existing research that transfer pricing is the main mechanism that companies use for their profit transfer practices that result in tax avoidance (Amidu et al., 2019). Research conducted by (Ramdhani, Fitria, & Rachman, 2021) and (Amidu et al., 2019) states that transfer pricing has a positive effect on tax avoidance. This shows that the practice of transfer pricing is still carried out by many companies to achieve maximum profit by avoiding tax.

H1: Transfer pricing has a positive effect on Tax Aggressiveness.

Influence of Tax Incentives on Tax Aggressiveness

In 2019 the State of Indonesia was one of the countries affected by the pandemic due to the Covid-19 virus. With the Covid-19 virus, every human being requires social distancing so that it affects social and economic activities. In 2020 the State of Indonesia will take various ways to overcome the Covid-19 pandemic, one of which is the National Economic Recovery Program (PEN) which includes the provision of tax incentives.The tax incentives provided by the government should be able to minimize tax avoidance that occurs because the effective tax rate is already low with the incentives provided. However, according to (Rombe et al., 2017), even though the tax incentive facility has been given, the company will still minimize the tax burden it owes. This happens because of the difference in perception between the company and the government. Taxes for companies are considered as additional costs that can reduce profits. Therefore the company will try to minimize these additional costs. Meanwhile, for the government, taxes are state revenue. Research conducted by (Setiawan & Wijayanti, 2021) shows that tax incentives have a positive effect on tax aggressiveness and is also supported by research conducted by (Rombe et al., 2017) which states that tax incentives have a positive effect on tax avoidance.

H2: Tax incentives have a positive effect on Tax Aggressiveness

The Effect of Thin Capitalization on Tax Aggressiveness

Every company has a strategy that can increase sales and profits, even up to a tax avoidance strategy. The company's strategy in obtaining capital has a significant impact on reported profits for tax purposes (Nainggolan & Sari, 2020). The higher the debt, the higher the interest that must

be paid by the company to creditors, so the lower the taxable profit. This implies that the company's tax liability will be lower. This strategy is then used by the company to practice tax avoidance by increasing the debt-to-equity ratio (DER). While on capital investment, the return of capital in the form of dividends will be taxed. This difference in interest and dividend treatment can be a gap for tax avoidance strategies (Olivia & Dwimulyani, 2019). The results of research conducted by (Suntari & Mulyani, 2020) and (Falbo et al., 2018) conclude that thin capitalization has a positive effect on tax avoidance which states that tax aggressiveness through a debt structure that is greater than equity is one of the efforts to minimize the company's tax burden.

H3: Thin Capitalization has a positive effect on Tax Aggressiveness

Effect of Transfer Pricing on Tax Aggressiveness Moderated by Firm Size

The practice of tax avoidance through transfer pricing in Indonesia involves many relatively large multinational companies. This fact further shows the relationship of aggressive tax avoidance with multinational companies, most of which have large asset values (Suntari & Mulyani, 2020). Companies that have large asset values have the opportunity to do big tax avoidance, because with large total assets the company can practice transfer pricing by creating subsidiaries in countries that have lower tax rates or in tax haven countries (Tax Haven). countries). Thus the company can minimize the tax burden it owes because the tax rate from that country is lower than Indonesia.

H4: Company Size strengthens the influence of Transfer pricing on Tax Aggressiveness.

Effect of Tax Incentives on Tax Aggressiveness moderated by Company Size.

Companies that have large asset values have the opportunity to do large tax avoidance, because with large total assets, companies have large resources. sufficient to do tax avoidance by doing good tax planning. Thus the company can reduce its tax payable through good tax planning (Tax plan). Tax planning is an action that takes advantage of a regulatory loophole so as to minimize the tax burden it pays. (Rombe et al., 2017) states that even though tax incentive facilities have been given, the Company will still minimize its tax burden.

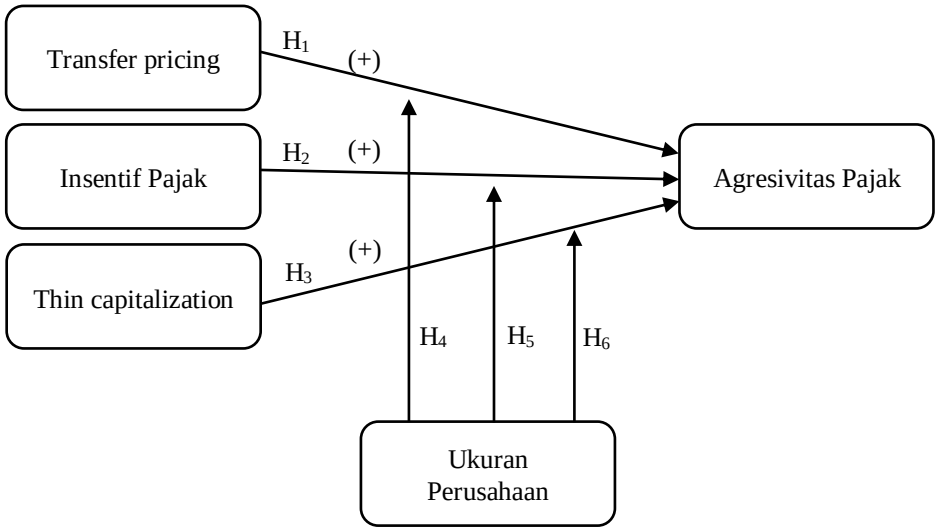
H5: Company size strengthens the effect of tax incentives on tax aggressiveness

The Effect of Thin Capitalization on Tax Aggressiveness Moderated by Firm Size

A company, both small and large, does not rule out debt. The high or low level of debt is also influenced by the size of the company. The bigger the company, the bigger the debt. According to (Taylor & Richardson, 2013), the larger the size of a company, the company will have greater business activities and financial transactions that provide various opportunities for tax avoidance. In research conducted by (Suntari & Mulyani, 2020) and (Taylor & Richardson, 2013) found that firm size significantly strengthens the effect between thin capitalization and tax aggressiveness.

H6: Firm size strengthens the effect of Thin Capitalization on Tax Aggressiveness.

Research Model



METHOD

This research is a type of quantitative research with secondary data based on the financial statements of manufacturing companies obtained from the Indonesia Stock Exchange website for the 2017-2019 period. The sample selection in this study used purposive sampling method. The following are the criteria and results of sample selection using purposive sampling method.

No	Criteria	Number of Samples
1	Manufacturing companies listed on the Indonesia Stock Exchange in 2017-2019	180
2	Manufacturing companies that did not publish complete financial statements during the 2017-2019 period	(32)
3	Manufacturing companies that in their financial statements made a loss	(50)
4	Manufacturing companies that do not present complete data on the variables to be studied	(25)
Number of samples of companies that meet the criteria		73
Research period 3 years		X 3
Total Observations		219

Variable Operational

Transfer Pricing

(Suntari & Mulyani, 2020) defines transfer pricing as a tax or financial benefit that can be obtained when a company takes advantage of different financial, regulatory and economic differences between regions. The measurement of the transfer pricing variable in this study was measured by comparing trade receivables to related parties with total receivables. Thus, the measurement of transfer pricing variables can be calculated using the following formula:

$$\text{TP} = \frac{Account\ Receivable\ From\ Related\ Parties\ (Affiliates)}{Total\ Account\ Receivable}$$

Tax Incentives

Incentives Tax incentives can be a tax avoidance tool carried out by companies, the company will still minimize the tax burden it owes (Rombe et al., 2017). Measurement of the tax incentive variable in this study was measured by tax planning (Taxplan). Tax planning is an effort made by management to minimize the company's tax burden in the current or future year (Harini, Syamra, & Setiawan, 2020). Thus the measurement of the tax incentive variable can be calculated using the formula:

$$Taxplan = \frac{Tarif\ pph\ (PTI-CTE)}{TA}$$

Information : PTI is profit before tax, CTE is current tax expense, and TA is total assets.

Thin Capitalization

The measurement of the thin capitalization variable in this study was measured using the MAD ratio by comparing the company's average debt with the Safe Harbor Debt Amount (SHDA). SHDA is calculated by deducting total assets minus non-Interest Bearing Liabilities (IBL) then multiplied by the maximum debt percentage. Where the maximum debt is set according to the Regulation of the Minister of Finance Number 169/PMK.010/2015, which is 80%. If the company's capital structure exceeds 80%, it indicates thin capitalization. Non-InterestBearingLiabilities are non-interest liabilities of the company, therefore they must be deducted first. Thus the measurement of the thin capitalization variable can be calculated using the formula:

$$\text{MAD} = \frac{Average\ Debt}{SHDA\ Of\ The\ Firm}$$

Description : SHDA = Safe Harbor Debt Amount, calculation steps SHDA = (Average total assets - nonInterestLiabilities) X 80%. With Non-IBL = accounts payable + income tax payable + accrued expenses + other current liabilities + deferred income tax + other long-term liabilities.

Tax Aggressiveness

The dependent variable in this study is Tax Aggressiveness. The measurement of the tax aggressiveness variable in this study was measured using the Cash Effective Tax Rate (CETR). CETR is a form of calculating the tax rate that is calculated in a company and there can be changes in the company's tax rate. The value of BTD and CETR is inversely related to tax avoidance, where the greater the value of BTD and CETR, the smaller the tax avoidance (Utama, 2019). Thus the measurement of tax aggressiveness can be calculated using the following formula:

$$\text{CETR} = \frac{Cash\ Tax\ Paid}{Pre{-}Tax\ Income}$$

Size Company

Size is a measure of the size of a company which is indicated or assessed by total assets, total sales, total profit, tax expense and others (Suntari & Mulyani, 2020). There are generally two categories, namely large and small. The measurement of the firm size variable in this study was measured using the natural logarithm of the asset value with the full rupiah value.

Data analysis method

The data analysis method used in this study used descriptive statistical methods, classical assumption test, coefficient of determination test, simultaneous hypothesis testing (F test) partial hypothesis testing (T test), multiple linear regression analysis and moderate regression analysis (MRA). The following is a multiple regression model and moderated regression analysis (MRA).

Y = α + βTP + βIP + βTC + e……...(Model 1)

Y = α + βTP + βIP + βTC + (βTP*βUP) + (βIP*βUP) + (βTC*βUP) + e…….(Model 2)

RESULT AND DISCUSSION

According to (Ghozali, 2016), data that are not normally distributed can be transformed to become normal. The form of the transformation carried out refers to the histogram graphic form of the data that is not normally distributed. In this study, the data was transformed to become normal by transforming the data using SQRT or square root because the abnormal data graph is a moderate positive skewness graph. In this study, from 219 data samples, there were 37 data samples that had extreme values that were included in outlier data, so they were excluded from the research sample. Thus, the final total sample in this study was 182 data samples.

Descriptive statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
AP	182	.14	.91	.5166	.14730
TP	182	.03	.98	.4259	.28421
IP	182	.04	.21	.1178	.03842
TC	182	.35	1.19	.7753	.18106
UP	182	5.14	5.79	5.3840	.14162
Valid N (listwise)	182				

The tax aggressiveness variable has a minimum value of 0.14 which is owned by PT Factory Kertas Tjiwi Kimia Tbk in 2018 while the maximum value in research observations is 0.91 which is owned by PT Indocement Tunggal Prakasa Tbk in 2017. The average value (mean) on the variable tax aggressiveness has a value of 0.5166 with a standard deviation of 0.14730. The transfer pricing variable has a minimum value of 0.03 which is owned by the company PT Charoen Pokphand Indonesia Tbk in 2019, while the maximum value in research observations is 0.98 which is owned by the company PT Waskita Beton Precast Tbk in 2017. The average value (mean) at transfer pricing variable has a value of 0.4259 with a standard deviation of 0.28421. The tax incentive variable has a minimum value of 0.04 which is owned by PT Steel Pipe Industry of Indonesia Tbk, while the maximum value in research observations is 0.21 which is owned by PT Siantar Top Tbk in 2019. The average value (mean) on the incentive variable tax has a value of 0.1178 with a standard deviation of 0.03842. The thin capitalization variable has a minimum value of 0.35 which is owned by PT Multi Prima Sejahtera Tbk in 2019 while the maximum value in research observations is 1.19 which is owned by PT Tembaga Mulia Semanan Tbk in 2019. The average value (mean) on the thin variable capitalization has a value of 0.7753 with a standard deviation of 0.18106. The company size variable has a minimum value of 5.14 which is owned by PT Duta Pertiwi Nusantara Tbk in 2017, while the maximum value in research observations is 5.79 which is owned by several companies, namely PT Astra International Tbk 2018-2019. The average value (mean) on the firm size variable has a value of 5.3840 with a standard deviation of 0.14162.

Classic assumption test

Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		182
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.13748606
Most Extreme Differences	Absolute	.040
	Positive	.021
	Negative	-.040
Test Statistic		.040
Asymp. Sig. (2-tailed)		.200[c,d]

From the table above, it can be seen that the asymp value. Sig (2-tailed) of 0.200 which is greater than the significance value of 0.05 so that it can be concluded that the residual data is normally distributed.

Multicollinearity Test

Coefficients[a]

		Collinearity Statistics	
Model		Tolerance	VIF
1	TP	.953	1.049
	IP	.893	1.120
	TC	.858	1.166

It can be seen from the table above that the transfer pricing variable has a VIF value of 1,049 with a tolerance value of 0.953, the tax incentive variable has a VIF value of 1,120 with a tolerance value of 0.858, and the thin capitalization variable has a VIF value of 1.166 with a tolerance value of 0.858. tolerance value and VIF of each variable show above 0.1 and below 10 so it can be concluded that there is no multicollinearity between these variables.

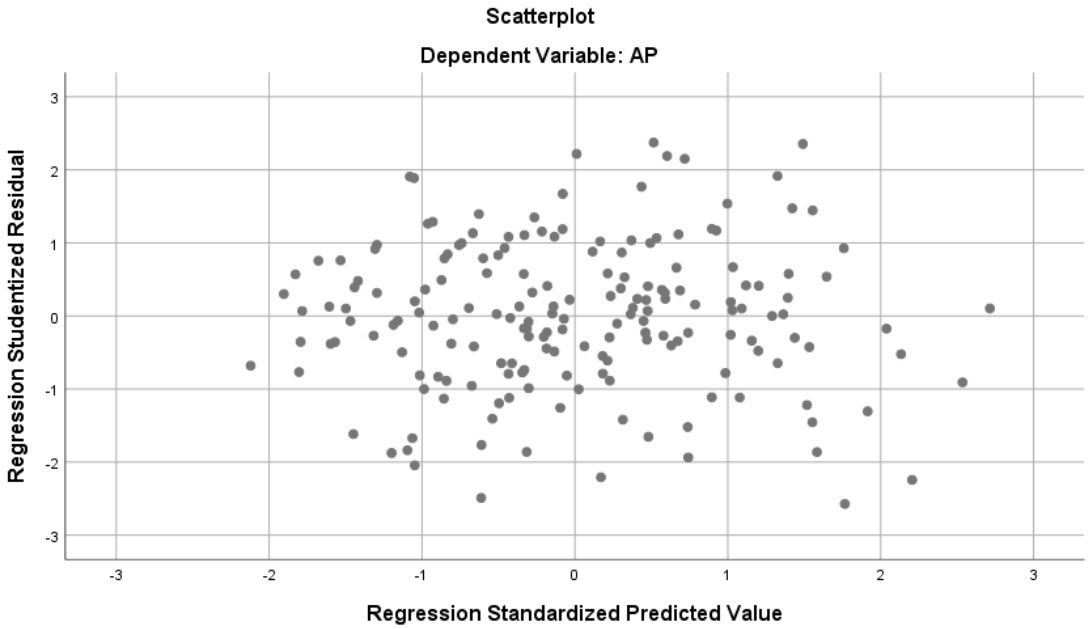
Auto Correlation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.256[a]	.066	.050	.13618	2.039

In this study, how to overcome the symptoms of autocorrelation using the Cochrane Orcutt method so that the Durbin Watson value is 2.039, so the Durbin Watson equation is 1.7910 < 2.039 < 4 - 1.7910 from the following equation it can be concluded that there is no autocorrelation symptom.

Heteroscedasticity Test



To see whether there are symptoms of heteroscedasticity in this study using the scatterplot test method. From the scatterplot image above, it can be concluded that the data points spread above and below or around the number 0, the data points do not collect only above or below. , the spread of data points does not form a wavy pattern that widens then narrows and widens again and the spread of data points is not patterned. Thus, it can be concluded that the research data does not show symptoms of heteroscedasticity.

Coefficient of Determination Test (R^2)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.289[a]	.083	.068	.14221
2	.359[a]	.129	.094	.14022

a. Predictors: (Constant), TC, TP, IP

b. Predictors: (Constant), M3, TP, M2, UP, M1, TC, IP

Based on the table above, it can be seen that the value of the coefficient of determination (adjusted R square) in model 1 of this study is 0.068 or 6.8% of this value, it can be concluded that the independent variable in this study is able to explain its effect on the dependent variable of 6.8%, the remaining 93.2% is explained by other variables not examined in this study. While in model 2 the value of the coefficient of determination (adjusted R square) in this study is 0.094 or 9.4% of this value, it can be concluded that the independent variable in this study is able to explain its influence on the dependent variable by 9.4%, the remaining 90.6% is explained by other variables not examined. in this research.

Simultaneous Hypothesis Testing (F Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.327	3	.109	5.389	.001[b]
2	Regression	.506	7	.072	3.674	.001[b]

Based on the table above, it can be seen that the F value of model 1 is 5.389 > Ftable of 2.666, while the F value of model 2 is equal to 3,674 > Ftable of 2,422, in addition to the value of negligent significance obtained is 0.001 so that it can be concluded that the independent variables of transfer pricing, tax incentives, thin capitalization jointly affect the dependent variable of tax aggressiveness.

Partial Hypothesis Test (T Test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.760	.068		11.204	.000
	TP	-.071	.038	-.138	-1.877	.062
	IP	-.706	.291	-.184	-2.424	.016
	TC	-.167	.063	-.205	-2.649	.009

a. Dependent Variable: AP

Based on the table above, it can be seen that the transfer pricing variable has a Tcount value of -1.877 < Ttable of -1.973 with a significance value of 0.062, thus it can be concluded that H0 is accepted and H1 is rejected so that it can be said that the transfer pricing variable has no positive and significant effect on tax aggressiveness.

The tax incentive variable has a Tcount of -2.424 > Ttable of -1.973 with a significance value of 0.016, the resulting regression coefficient is negative, but in this study the tax aggressiveness variable with the cash effective tax rate (CETR) proxy has an inverse relationship, the smaller the CETR the greater the tax avoidance is carried out. Thus it can be concluded that H0 is rejected and H1 is accepted, so it can be said that the tax incentive variable has a positive and significant effect on tax aggressiveness.

The thin capitalization variable has a Tcount value of -2.649 > Ttable of -1.973 with a significance value of 0.009, the resulting regression coefficient is negative, but in this study the tax aggressiveness variable with the cash effective tax rate (CETR) proxy has an inverse relationship, the smaller the CETR the greater the tax avoidance is carried out. Thus it can be concluded that H0 is rejected and H1 is accepted, so it can be said that the thin capitalization variable has a positive and significant effect on tax aggressiveness.

Partial Hypothesis Test (T Test) Moderated Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
2	(Constant)	-4.247	2.722		-1.561	.120
	TP	.342	1.495	.661	.229	.819
	IP	-6.394	12.562	-1.668	-.509	.611
	TC	6.570	2.566	8.076	2.560	.011
	UP	.947	.511	.910	1.851	.066
	M1	-.077	.277	-.801	-.277	.782
	M2	1.028	2.340	1.473	.439	.661
	M3	-1.267	.481	-8.535	-2.633	.009

Based on the table above, it can be seen that the moderating variables of transfer pricing and tax incentives have a significance value of 0.782 and 0.661. Thus, it can be concluded that H0 is accepted and H1 is rejected. So it can be said that the firm size variable cannot moderate the effect of transfer pricing and tax incentives on tax aggressiveness.

The moderating variable thin capitalization has a Tcount of -2.633 > Ttable -1.973 with a significance value of 0.009. Thus, it can be concluded that H0 is rejected and H1 is accepted. So it can be said that the firm size variable can moderate the effect of thin capitalization on tax aggressiveness. Furthermore, to see whether the firm size variable can strengthen or weaken it can be seen through the coefficient value. The regression coefficient value generated between before and after moderation has a negative coefficient value. Thus, it can be concluded that the firm size variable can strengthen the effect of thin capitalization on tax aggressiveness.

Discussion

Does not have a positive effect on Tax Aggressiveness

The OECD Institution has issued the OECD Transfer pricing Guidelines, as a guide for tax authorities and companies in resolving transfer pricing problems (Damayanti, 2017). This guide is made so that companies that carry out transfer pricing comply with the guidelines issued by the OECD so that transfer pricing carried out by companies does not have an impact on tax avoidance. In addition, (Falbo et al., 2018) explains that this lack of influence is caused by applicable accounting regulations and standards as well as different economic conditions. In addition, the Director General of Taxes also has a way to resolve transfer pricing disputes with an Advance Pricing Agreement (APA). In the agreement, the DJP and the Taxpayer enter into an agreement to determine the fair price upfront for transactions that have a special relationship or transactions with affiliated companies. With this agreement, it is possible to minimize and control the practice of transfer pricing through price engineering systematically.

Tax incentives have a positive effect on tax aggressiveness.

Tax incentives provided by the government can be used by managers to do tax planning, from good tax planning to minimize the tax burden. (Yin & Cheng, 2004) state that companies that have good tax planning will benefit from tax shields and can minimize tax payments. Companies that have good tax planning tend to reduce the company's net profit in order to get a tax advantage.

Thin Capitalization has a positive effect on Tax Aggressiveness.

Companies can take advantage of interest from debt to avoid tax. The greater the company's debt, the greater the tax burden that can be deducted from interest expense. Therefore, the company can consider financing for its business. If the company prioritizes the use of debt in running its business, the company can minimize the tax burden it owes from the interest generated, but large debt can reduce the value of the company and make the company in a state of financial distress, paying principal and interest on debt increases the risk of corporate bankruptcy in the future (Falbo et al., 2018).

Company size cannot moderate the effect of transfer pricing on tax aggressiveness.

The size of the company cannot influence a company in conducting transfer pricing which leads to tax avoidance. This could be because the OECD Institution has issued the OECD Transfer pricing Guidelines, as a guide for companies in resolving transfer pricing issues. Thus, large companies tend to know every existing policy so that the guidelines issued by the OECD can be applied in large companies.

Company size cannot moderate the effect of Tax Incentives on Tax Aggressiveness.

The size of a company cannot encourage companies to avoid tax through tax planning (taxplan) that takes advantage of a regulatory loophole so that the tax paid can be as minimal as possible. Companies that have large asset values have sufficient resources to avoid tax by doing good tax planning. However, a large total asset in a company is used for the benefit of the company and has not led to tax avoidance.

Firm size can strengthen the influence of Thin Capitalization on Tax Aggressiveness

High or low levels of debt are also influenced by company size. The bigger the company, the bigger the debt. The larger the size of a company, the company will have greater business activities and financial transactions that provide various opportunities for tax avoidance (Taylor & Richardson, 2013). So it can be concluded that the size of the company can affect a company in doing thin capitalization which leads to tax avoidance.

CONCLUSION

The results of research conducted on manufacturing companies listed on the Indonesia Stock Exchange for the period 2017-2019 prove that transfer pricing does not have a positive effect on tax aggressiveness, while tax incentives and thin capitalization have a positive effect on tax aggressiveness. The results of testing the moderating variable prove that firm size cannot moderate the effect of transfer pricing and tax incentives on tax aggressiveness. However, firm size can moderate and strengthen the effect of thin capitalization on tax aggressiveness.

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