

THE EFFECT OF TRANSFER PRICING, PROFITABILITY, AND FIXED ASSET INTENSITY ON TAX AGGRESSIVENESS WITH AUDIT COMMITTEE AS MODERATING VARIABLE



Romita Situmorang¹

Universitas Katolik Indonesia Atma Jaya, Jakarta, Indonesia

romitasitumorang34@gmail.com

Andang Wirawan Setiabudi²

Universitas Katolik Indonesia Atma Jaya, Jakarta, Indonesia

andang.wirawan@atmajaya.ac.id

Abstract

This study aims to analyze the effect of transfer pricing, profitability, and fixed asset intensity on tax aggressiveness, with the audit committee as a moderating variable. The object of this research is consumer cyclical and consumer non-cyclical sector companies listed on the Indonesia Stock Exchange (IDX) during a certain period. The study is grounded in corporate governance theories, particularly agency theory and stewardship theory, to explain the moderating role of the audit committee. Agency theory suggests that conflicts between managers (agents) and shareholders (principals) may lead to aggressive tax strategies to maximize short-term financial gains, whereas stewardship theory posits that strong governance mechanisms, such as an effective audit committee, can ensure ethical corporate behavior and regulatory compliance. The method used was a quantitative approach with moderated regression analysis (MRA). The data used were annual financial statements selected through the purposive sampling method. Transfer pricing, profitability, as measured by Return on Assets (ROA), and fixed asset intensity, are independent variables, while tax aggressiveness is measured using Effective Tax Rate (ETR). Transfer pricing is assessed through related-party transactions, specifically by calculating the ratio of trade receivables from related parties to total receivables, following the approach used in prior empirical studies on transfer pricing practices. The audit committee is tested as a moderating variable to determine its influence in strengthening or weakening the relationship between the independent variables and the dependent variable. The results showed that transfer pricing and profitability have a significant effect on tax aggressiveness, while fixed asset intensity does not have a significant effect. The audit committee is proven to moderate the relationship between transfer pricing and tax aggressiveness, but is unable to moderate the effect of profitability and fixed asset intensity on tax aggressiveness. Further analysis of the audit committee's role reveals that its effectiveness in moderating transfer pricing strategies may depend on its structure,

including its size, independence, and financial expertise. Companies with a larger and more independent audit committee with members possessing financial expertise may exhibit stronger oversight in curbing tax aggressiveness through transfer pricing. However, when it comes to profitability and fixed asset intensity, the audit committee's oversight may be limited due to the nature of these financial metrics, which are more structurally embedded in a company's financial management rather than discretionary tax strategies. These findings contribute to the financial management and corporate governance literature, particularly in understanding the dynamics of tax management in related sectors. This study also offers practical implications for companies to pay more attention to the audit committee's role in improving the supervision of transfer pricing practices to reduce excessive tax aggressiveness. Additionally, policymakers should consider enhancing regulatory frameworks to standardize audit committee effectiveness measures, ensuring that corporate governance mechanisms remain effective in mitigating aggressive tax strategies.

Keywords: Transfer Pricing, Profitability, Fixed Asset Intensity, Tax Aggressiveness with Audit Committee, Consumer Cyclical, Non-Cyclical

INTRODUCTION

Taxes are one of the largest sources of state revenue, playing a crucial role in funding public expenditures and infrastructure development (Sadiyah, 2020; Azzahra & Triyono, 2024). According to Article 1 Paragraph 1 of Law Number 16 of 2009, "taxes are mandatory payments made by individuals or organizations to the state that can be legally enforced without any direct reward from the state." Similarly, Jalil et al. (2024) and Ibrahim et al. (2024) define taxes as obligatory contributions from citizens to the government, collected based on legal provisions, and utilized for the welfare of society. The significance of tax revenue is evident from Indonesia's tax collection trends, which showed fluctuations due to economic conditions. The realization of state tax revenue in 2020 was IDR 1,285,136.32 billion, marking a 16.88% decrease from 2019 due to the COVID-19 pandemic. However, tax revenue rebounded by 16.97% in 2021 to IDR 1,547,841.10 billion and further increased by 19.59% in 2022 to IDR 1,924,937.50 billion before slightly declining by 3% to IDR 1,869,234.67 billion in 2023 (Ulung & Meilani, 2023).

Companies operating in the consumer cyclicals and consumer non-cyclicals sectors are particularly affected by economic fluctuations (Sasongko & Rachma, 2021). The COVID-19 pandemic significantly impacted these sectors, leading to declining demand, supply chain disruptions, and changes in consumer behavior. For instance, PT Ramayana Lestari Sentosa Tbk. experienced a drop in sales in 2020, which negatively affected its financial performance. In such challenging conditions, firms may adopt various strategies to optimize tax payments, including legal approaches such as tax avoidance and, in some cases, illegal tactics like tax evasion (Darma et al., 2018; Pratiwi et al., 2021). These aggressive tax strategies, while often framed as financial management techniques, can significantly reduce state revenues (Lestari, 2023; Utami, 2017).

The relationship between transfer pricing, profitability, fixed asset intensity, and tax aggressiveness can be explained through Agency Theory. This theory highlights the conflict of interest between principals (shareholders) and agents (managers), where managers may engage in tax aggressiveness to maximize short-term financial performance and personal benefits, sometimes at the expense of regulatory compliance (Jensen & Meckling, 1976). Managers may manipulate transfer pricing strategies, use profitability optimization

techniques, or capitalize on fixed asset depreciation benefits to minimize tax liabilities and improve reported earnings.

In contrast, Stewardship Theory provides an alternative perspective, emphasizing the role of corporate governance mechanisms, particularly the audit committee, in ensuring ethical financial management (Davis, Schoorman, & Donaldson, 1997). The audit committee acts as an oversight body that mitigates aggressive tax planning by enforcing regulatory compliance and maintaining transparency. Its effectiveness depends on factors such as independence, financial expertise, and authority within the organization (Dechow, Sloan, & Sweeney, 1996). This study integrates both theories to examine how managerial discretion in tax planning can be moderated by corporate governance mechanisms.

Prior studies on tax aggressiveness have predominantly focused on multinational corporations (MNCs) and manufacturing firms, where tax planning often involves complex international transfer pricing schemes. For instance, Panjalusman et al. (2018) found that transfer pricing significantly influences tax aggressiveness, especially in firms operating across multiple jurisdictions. However, Manoppo & Susanti (2022) argued that transfer pricing has minimal impact on tax aggression in domestic firms, as most Indonesian companies comply with local tax regulations. Similarly, studies by Budianti & Curry (2018) and Sidik & Suhono (2020) reported that higher profitability leads to lower tax aggressiveness, suggesting that well-performing firms are more likely to comply with tax obligations. Meanwhile, Afifah & Hasymi (2020) highlighted the role of fixed asset intensity in tax planning, where firms leverage depreciation expenses to reduce taxable income.

Despite these insights, research focusing on consumer cyclicals and consumer non-cyclicals sectors remains limited. These industries possess unique income structures and asset compositions, influencing their tax management strategies. Additionally, most studies have examined the audit committee as a general oversight mechanism rather than evaluating its specific role in moderating tax aggressiveness. This study aims to bridge this gap by analyzing how the audit committee affects the relationship between transfer pricing, profitability, fixed asset intensity, and tax aggressiveness within these consumer sectors.

This study aims to analyze the effect of transfer pricing, profitability, and fixed asset intensity on tax aggressiveness in companies within the consumer cyclicals and consumer

non-cyclicals sectors. Additionally, this research investigates the moderating role of the audit committee in ensuring regulatory compliance while balancing tax optimization strategies. The study will employ quantitative methods using secondary data from financial reports and corporate governance disclosures of publicly listed companies in these sectors. The sample will consist of firms meeting specific financial and governance criteria, and data analysis will be conducted using panel data regression models to test hypotheses regarding the relationships among variables.

The interactions between transfer pricing, profitability, fixed asset intensity, and tax aggressiveness are crucial in understanding corporate tax strategies. High profitability often drives firms to seek tax reduction strategies, as larger profits result in higher tax liabilities (Oktaviani et al, 2022). Profit-maximizing firms may engage in transfer pricing mechanisms, shifting profits to subsidiaries in lower-tax jurisdictions to minimize overall tax burdens (Arradha & Sisdianto, 2024; Tyas, 2021). Similarly, firms with high fixed asset intensity can manipulate depreciation schedules to reduce taxable income, as larger investments in fixed assets create higher depreciation costs, lowering effective tax rates (Amalia, 2021; Dalam & Halimatusadiah, 2021).

The audit committee plays a moderating role by ensuring that tax management practices align with regulatory standards. Its effectiveness in mitigating tax aggressiveness depends on factors such as committee independence, expertise, and institutional authority. A well-functioning audit committee can limit excessive tax avoidance by enforcing compliance, monitoring financial transparency, and reducing managerial opportunism. This study will explore how these corporate governance mechanisms interact with financial decision-making processes to shape tax aggressiveness in consumer sectors.

Understanding corporate tax management strategies is essential in balancing financial performance with regulatory compliance. This study seeks to contribute to the literature by examining the effect of transfer pricing, profitability, and fixed asset intensity on tax aggressiveness, with a focus on the moderating role of the audit committee in consumer sector firms. The findings will provide valuable insights for regulators, corporate managers, and policymakers, offering practical recommendations for improving tax governance and corporate oversight. By addressing the research gap in consumer cyclicals and non-cyclicals

sectors, this study aims to enhance our understanding of how corporate governance influences tax strategies in dynamic business environments.

REVIEW OF LITERATURE

Transfer Pricing

Transfer pricing refers to the pricing of transactions between affiliated entities within a corporate group, including goods, services, intangible assets, and intercompany loans. The primary objective is to fairly allocate revenues and costs among these entities while ensuring compliance with tax regulations (Azzuhriyyah & Kurnia, 2023). Theoretically, transfer pricing adheres to the arm's length principle, which mandates that transactions between related parties should reflect market-based pricing, similar to those between independent entities. However, in practice, companies often utilize transfer pricing as a tax strategy to shift profits to jurisdictions with lower tax rates (tax havens) or to maximize tax deductions in high-tax countries (Fadhilah, 2018).

Companies employ various transfer pricing methods, including the cost-plus pricing model, which determines prices by adding a markup to production costs, and the market-based pricing model, where prices are aligned with comparable transactions in open markets. Another common approach is resale price methodology, which bases pricing on the resale value of goods and applies a predetermined profit margin (OECD, 2021). The use of these strategies allows companies to legally optimize their tax positions while complying with global regulatory frameworks, such as the OECD Transfer Pricing Guidelines and Indonesia's tax policies under PMK 213/2016, which mandate stringent documentation requirements to prevent abusive transfer pricing practices.

Profitability

Profitability measures a company's ability to generate earnings from its operational activities. Key indicators include Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM), which assess management efficiency in maximizing revenue and maintaining financial stability (Adiyani & Septanta, 2017). Highly profitable firms often implement tax planning strategies to mitigate their tax burden, ranging from tax-efficient investment planning to aggressive tax minimization tactics (Putriningsih et al., 2018).

However, companies with substantial profitability are also under closer scrutiny from tax authorities, increasing the risk of audits and regulatory sanctions. The interaction between profitability and transfer pricing is crucial, as firms with higher profits are more incentivized to shift income to lower-tax jurisdictions, exacerbating tax aggressiveness.

Fixed Asset Intensity

Fixed asset intensity refers to the proportion of a company's investment in tangible fixed assets, such as land, buildings, and machinery, relative to total assets. High fixed asset intensity is common in capital-intensive industries, including manufacturing, where production facilities require significant investment (Zalfa Ambarsari, 2023). Fixed assets generate depreciation expenses, which can be leveraged to reduce taxable income. Companies with high fixed asset intensity often use accelerated depreciation methods or strategic revaluations to defer tax liabilities (H. A. Pratiwi & Pramita, 2021). Additionally, fixed asset investments can influence transfer pricing policies, particularly in determining cost-sharing arrangements and intercompany financing structures. The relationship between fixed asset intensity and tax aggressiveness is shaped by tax planning opportunities, as firms seek to maximize depreciation benefits while managing tax obligations.

Audit Committee

The audit committee plays a critical role in corporate governance by overseeing financial reporting, internal controls, and compliance with tax regulations. Typically composed of independent members with financial expertise, the audit committee ensures that tax management practices align with transparency and regulatory standards (Sarra, 2017). In the context of tax aggressiveness, the audit committee moderates the impact of managerial tax strategies by enforcing ethical financial practices and preventing regulatory violations.

A well-functioning audit committee intervenes in transfer pricing decisions, tax planning, and risk assessment to ensure compliance with both domestic tax laws and international guidelines (Zahrani et al., 2024). For instance, the committee can demand enhanced documentation of intercompany transactions, scrutinize profit allocation mechanisms, and engage external auditors to verify tax compliance. Furthermore, companies with strong audit oversight exhibit lower levels of tax aggressiveness, as rigorous governance limits the scope for aggressive tax minimization tactics (Dechow, Sloan, & Sweeney, 1996).

Tax Aggressiveness

Tax aggressiveness encompasses corporate efforts to minimize tax obligations through intensive tax planning, which may range from legal tax avoidance to unlawful tax evasion. Firms engage in tax aggressiveness by exploiting loopholes in tax regulations, optimizing tax incentives, and leveraging international tax treaties (Putra, 2019). While tax minimization enhances short-term financial performance, excessive tax aggressiveness poses legal and reputational risks, increasing regulatory scrutiny and stakeholder concerns (Prastiwi & Walidah, 2020).

Interactions Between Variables and Research Gap

The relationship between transfer pricing, profitability, and fixed asset intensity creates a complex tax management dynamic. High-profit firms have a greater incentive to shift earnings using transfer pricing strategies, particularly when operating in multiple tax jurisdictions. Simultaneously, fixed asset-intensive firms exploit depreciation schemes to reduce taxable income, potentially complementing other tax avoidance mechanisms. The role of the audit committee as a moderating factor is crucial, as it ensures that tax strategies remain within legal boundaries while balancing corporate profitability and regulatory compliance.

Existing literature predominantly focuses on multinational corporations and manufacturing firms, leaving a gap in understanding consumer cyclicals and non-cyclicals sectors. Unlike manufacturing, these industries face unique revenue structures and asset compositions, influencing their tax strategies differently. Additionally, previous studies have treated the audit committee as a general governance mechanism, rather than examining its specific effectiveness in moderating tax aggressiveness in consumer industries. This study addresses these gaps by analyzing how internal governance mechanisms interact with corporate tax planning strategies, particularly in the consumer sector.

By exploring these interactions, this research aims to provide a more comprehensive understanding of tax management practices, contributing valuable insights for regulators, policymakers, and corporate managers.

RESEARCH METHOD

This research employs a quantitative approach with a causal-comparative design to examine how transfer pricing, profitability, and fixed asset intensity influence tax aggressiveness, while also exploring the moderating role of the audit committee. The study utilizes secondary data derived from the annual financial statements of companies in the consumer cyclicals and non-cyclicals sectors, listed on the Indonesia Stock Exchange (IDX), covering the period from 2018 to 2023.

Table 1.
Operational Definition of Variables

Variables	Measurement
Transfer Pricing	$Transfer\ Pricing = \frac{Accounts\ receivable\ from\ related\ parties}{Total\ Receivables}$
Profitability	$ROA = \frac{Profit\ After\ Tax}{Total\ Aset}$
Fixed Asset Intensity	$Fixed\ Asset\ Intensity = \frac{Total\ fixed\ assets}{Total\ asset}$
Audit Committee	$Audit\ committee\ size = \frac{Number\ of\ independent\ committee\ members}{Number\ of\ audit\ committee\ members} \times 100\%$
Tax Aggressiveness	Effective Tax Rate (ETR) and Net Profit Margin (NPM).

Source: Data Processed by Researchers (2024)

The transfer pricing measurement used in this study is based on the ratio of trade receivables from related parties to total receivables. This measure captures the extent to which a company engages in intercompany transactions, which can be an indicator of profit shifting activities (OECD, 2021). However, transfer pricing practices can also be examined through other methods, such as profit shifting ratios or intercompany transaction volumes. Future studies may explore alternative proxies, such as related-party sales revenue or transfer pricing disclosures in financial reports, to provide a more comprehensive assessment.

Tax aggressiveness is measured using both the Effective Tax Rate (ETR) and Net Profit Margin (NPM) to capture different aspects of tax planning. While ETR directly reflects the proportion of taxable income paid in taxes, NPM is included to assess how much of the company’s revenue translates into net profit after accounting for tax strategies. This dual

approach provides a broader perspective on tax aggressiveness, particularly in the consumer cyclical and non-cyclical sectors, where firms may use various tax optimization techniques beyond direct tax rate reductions.

The audit committee's effectiveness is measured by the proportion of independent members, as independent audit committee members are expected to enhance oversight and limit aggressive tax planning (DeFond & Jiambalvo, 1991). However, other dimensions of audit committee effectiveness, such as financial expertise, meeting frequency, and tenure, also play significant roles in influencing corporate tax behavior. Future research could incorporate these additional factors to gain deeper insights into the governance mechanisms restraining tax aggressiveness.

The sample selection was carried out using purposive sampling to ensure that the companies taken as samples met specific criteria:

1. Companies in the consumer cyclical and consumer non-cyclical sectors that were listed for five consecutive years (2018-2023).
2. Companies that did not experience losses during 2018-2023.
3. Companies that provided complete financial and governance data required for this study.

While excluding loss-making companies ensures financial stability and consistency in tax strategies, this criterion may introduce a limitation by excluding firms facing financial distress or economic downturns, which could provide valuable insights into how firms navigate tax strategies under financial pressure. Future research could consider comparing financially stable firms with distressed firms to explore whether tax aggressiveness varies across different financial conditions.

This study employs Moderated Regression Analysis (MRA) to examine the interaction between the audit committee and the independent variables in influencing tax aggressiveness. Prior to regression analysis, the data undergoes classical assumption tests, including:

1. Normality test to assess data distribution.
2. Multicollinearity test to check for correlations between independent variables.
3. Heteroscedasticity test to ensure variance consistency.
4. Autocorrelation test to detect serial correlation issues.

These tests are essential for ensuring the validity and reliability of the regression model. The results of the analysis will offer deeper insights into the corporate tax management dynamics, particularly within the context of corporate governance and regulatory compliance in the consumer cyclical and non-cyclical sectors.

RESULTS AND DISCUSSION

Multiple Linear Regression Test

Multiple linear regression analysis is used to predict the relationship between transfer pricing, Return on assets, and fixed asset intensity on tax aggressiveness.

Table 2.
Multiple Linear Regression
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	27,661	1,655		16,717	,000
TP	,041	,017	,165	2,392	,002
ROA	-,149	,069	-,149	-2,158	,003
IAS	-,023	,026	-,061	-,885	,377

a. Dependent Variable: ETR

Source: Data Processed (2024)

Based on the above results, the regression model can be arranged as follows:

$$Y = 27,661 + 0,041X1 - 0,149X2 - 0,023X3$$

Or

$$\text{Tax Aggressiveness} = 27,661 + 0,041TP - 0,149ROA - 0,023IAS$$

1. The constant value of 27.661 suggests that if TP, ROA, and IAS are zero, then the predicted tax aggressiveness is 27.661 ETR units.
2. Transfer pricing (TP) has a positive relationship with tax aggressiveness (0.041), indicating that firms engaging in higher transfer pricing practices tend to exhibit increased tax aggressiveness.
3. Return on assets (ROA) has a negative relationship (-0.149), suggesting that higher profitability reduces tax aggressiveness, possibly due to enhanced scrutiny from tax authorities.

- Fixed asset intensity (IAS) has a negative coefficient (-0.023), implying that companies with a higher proportion of fixed assets exhibit lower tax aggressiveness, potentially due to depreciation benefits reducing taxable income.

T-Test

The t-test evaluates the statistical significance of each independent variable’s effect on tax aggressiveness.

Table 3.
T Test

Coefficients ^a						
Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	27,661	1,655			16,717	,000
TP	,041	,017	,165		2,392	,002
ROA	,149	,069	,149		2,158	,003
IAS	-,023	,026	-,061		-,885	,377

a. Dependent Variable: ETR

Source: Data Processed (2024)

- TP significantly affects tax aggressiveness ($p = 0.002 < 0.05$).
- ROA significantly influences tax aggressiveness ($p = 0.003 < 0.05$).
- IAS does not have a significant effect ($p = 0.377 > 0.05$).

F Test

The F-test determines whether the independent variables collectively affect tax aggressiveness.

Table 4.
F Test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	637,075	3	212,358	3,315	,004 ^b
	Residuals	13197,957	206	64,068		
	Total	13835,032	209			

a. Dependent Variable: ETR

b. Predictors: (Constant), IAS, TP, ROA

Source: Data Processed (2024)

The F-test result ($p = 0.004 < 0.05$) confirms that TP, ROA, and IAS simultaneously influence tax aggressiveness.

Moderated Regression Analysis (MRA) and Audit Committee Influence

Table 5.
Moderated Regression Analysis (MRA)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	23,448	3,466		6,765	,000
	TP	,022	,040	,091	,554	,002
	ROA	-,141	,107	-,141	-1,322	,002
	IAS	,036	,054	,093	,658	,512
	KA	,068	,048	,325	1,410	,160
	X1M	,003	,001	-,088	-,513	,01
	X2M	,015	,002	,015	,098	,09
	X3M	-,097	,001	-,328	-1,303	,194

a. Dependent Variable: ETR

Source: Data Processed (2024)

Coefficient of Determination (R²) Before and After Moderation

Table 6.
Determination Coefficient Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,515 ^a	,560	,522	8,00423

a. Predictors: (Constant), IAS, TP, ROA

Source: Data Processed (2024)

Table 7.
Coefficient of Determination After Moderation

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,662 ^a	,658	,626	8,03071

a. Predictors: (Constant), X3M, X1M, ROA, IAS, X2M, TP, KA

Source: Data Processed by Researchers (2024)

The R² value increases from 56.0% to 65.8% after moderation, meaning the audit committee improves the model's explanatory power by 9.8%.

The audit committee plays a crucial role in moderating transfer pricing-related tax aggressiveness, but its influence on profitability and fixed asset intensity is limited. This highlights the need for strong governance mechanisms to oversee tax strategies involving intercompany transactions, while other financial factors may require different regulatory approaches. Future research should explore additional governance indicators, such as audit committee expertise, meeting frequency, and industry-specific regulations, to further understand corporate tax management dynamics.

Effect of Transfer Pricing (TP) on Tax Aggressiveness

The results of this study found that Transfer Pricing affects tax aggressiveness because the t-value obtained is 0.002, which is smaller than 0.05. The regression coefficient results show that the effect of Transfer Pricing on tax aggressiveness has a positive value of 0.041. This confirms that H1 is accepted, meaning that Transfer Pricing has a significant positive impact on tax aggressiveness.

Transfer Pricing is determined by assessing or charging the cost of exchanging goods between related purchasing and sales divisions within a corporate group. Companies use Transfer Pricing not only to expand their market reach but also to minimize their tax burden by shifting profits to lower-tax jurisdictions. This finding is consistent with prior research by Putri & Mulyani (2020), who found that companies engaging in more frequent and larger transfer pricing transactions tend to exhibit higher tax aggressiveness.

From an agency theory perspective, managers (agents) may report higher earnings in financial statements to secure compensation or meet debt covenants. Tax planning, including Transfer Pricing strategies, can serve as a tool for managerial rent extraction, justifying opportunistic actions such as profit manipulation or resource misallocation, ultimately leading to improper utilization of resources (Prasetyo, 2023).

Effect of Return on Assets (ROA) on Tax Aggressiveness

This study reveals that ROA negatively influences tax aggressiveness, as evidenced by a t-value of 0.003 (< 0.05) and a regression coefficient of -0.149. This confirms that H2 is accepted, indicating that firms with higher ROA tend to be less tax aggressive.

The findings align with the study by Margaretha & Siagian (2021), which found that ROA has a partial negative effect on tax aggressiveness. This suggests that companies with

lower ROA levels tend to have lower Effective Tax Rates (ETR), indicating a higher potential for tax aggressiveness. A possible explanation is that firms with higher profitability face greater scrutiny from tax authorities and investors, leading them to avoid aggressive tax strategies to maintain compliance and reputation.

Agency theory further supports this finding, as shareholders (principals) invest their capital to achieve stable and maximum returns. A high ROA reflects strong company performance and efficient management of expenses, including taxes. As a result, highly profitable firms are less motivated to engage in aggressive tax strategies, as they already generate substantial after-tax earnings.

Effect of Fixed Asset Intensity (IAS) on Tax Aggressiveness

This study found that Fixed Asset Intensity does not influence tax aggressiveness, as indicated by a t-value of 0.377 (> 0.05) and a regression coefficient of -0.023. This confirms that H3 is rejected, meaning that Fixed Asset Intensity has no significant impact on tax aggressiveness.

A possible explanation is that companies with high Fixed Asset Intensity tend to use their assets primarily for operational purposes rather than tax planning. Unlike Transfer Pricing, which involves discretionary financial decisions, fixed assets are long-term investments with limited flexibility in influencing tax strategies. Companies with substantial fixed assets typically incur higher depreciation expenses, which naturally reduce taxable income, making additional tax avoidance strategies unnecessary.

Industry-specific factors may also explain the lack of impact. In capital-intensive industries, such as manufacturing, many fixed assets have already reached the end of their economic life and have low depreciation rates, thereby limiting their effect on tax management strategies. This finding is consistent with research by Amalia (2021) and Sulistiyanti & Nugraha (2019), who noted that companies with high fixed asset intensity tend to have lower profit volatility, reducing their incentive to engage in tax aggressiveness.

Effect of Audit Committee as a Moderator for Transfer Pricing on Tax Aggressiveness

The test results indicate that the audit committee moderates the relationship between Transfer Pricing and tax aggressiveness, as evidenced by a significance value of 0.01 (< 0.05)

and a regression coefficient of 0.003. This confirms that H4 is accepted, meaning that a strong audit committee strengthens the impact of Transfer Pricing on tax aggressiveness.

These findings align with research by Hartina & UST (2018), which suggests that audit committees play a critical role in ensuring regulatory compliance in Transfer Pricing practices. However, the effectiveness of audit committees may vary depending on their composition, independence, and financial expertise. If the audit committee lacks authority or stakeholder support, its ability to curb aggressive tax planning may be compromised.

Effect of Audit Committee as a Moderator for ROA on Tax Aggressiveness

This study found that the audit committee does not moderate the relationship between ROA and tax aggressiveness, as indicated by a significance value of 0.09 (> 0.05) and a regression coefficient of 0.015. This leads to the rejection of H5, demonstrating that audit committee oversight does not significantly influence the effect of profitability on tax aggressiveness.

This finding contrasts with Ibrahim et al. (2024), who reported that the audit committee significantly moderates tax aggressiveness. One possible explanation for this discrepancy is differences in institutional settings and governance structures across companies. Firms operating in different regulatory environments may experience varying levels of audit committee effectiveness.

Furthermore, the mere existence of an audit committee does not guarantee strong governance. The composition, independence, and meeting frequency of the audit committee play a crucial role in determining its impact on corporate tax strategies. Future research could examine how specific audit committee characteristics influence tax management practices.

Effect of Audit Committee as a Moderator for Fixed Asset Intensity on Tax Aggressiveness

This study found that the audit committee does not moderate the relationship between Fixed Asset Intensity and tax aggressiveness, as evidenced by a significance value of 0.194 (> 0.05) and a regression coefficient of -0.097. This confirms that H6 is rejected, meaning that the audit committee does not strengthen the effect of Fixed Asset Intensity on tax aggressiveness.

Azzahra & Triyono (2024) suggest that the role of the audit committee in tax governance is more pronounced in discretionary tax strategies, such as Transfer Pricing, rather than structural elements like Fixed Asset Intensity. This aligns with the argument that fixed assets are used primarily for operational efficiency rather than tax avoidance, limiting the audit committee's ability to influence their impact on tax aggressiveness.

Additionally, many fixed assets in capital-intensive industries have low remaining economic value. Companies depreciate these assets over time, reducing their impact on taxable income. As a result, the presence of an audit committee does not significantly alter how firms use fixed asset intensity for tax planning.

Implications for Managers and Policymakers

1. **Strengthening Audit Committees:** Companies should focus on improving the independence, expertise, and authority of audit committees to enhance their oversight of tax strategies, particularly in Transfer Pricing decisions.
2. **Enhancing Regulatory Oversight:** Governments should enforce stricter reporting requirements for Transfer Pricing transactions to prevent profit shifting and tax avoidance.
3. **Global Tax Policy Implications:** The findings highlight the need for stronger global tax governance frameworks, such as the OECD Base Erosion and Profit Shifting (BEPS) initiative, to mitigate aggressive tax planning practices.

This study confirms that Transfer Pricing positively influences tax aggressiveness, while ROA has a negative effect, and Fixed Asset Intensity does not significantly affect tax aggressiveness. The audit committee moderates Transfer Pricing but does not significantly moderate ROA or Fixed Asset Intensity. These findings contribute to the broader debate on corporate governance, tax policies, and financial decision-making, offering insights for policymakers, regulators, and corporate leaders in managing tax compliance effectively.

CONCLUSION

Based on the research results, it can be concluded that transfer pricing has a significant effect on tax aggressiveness, reinforcing the idea that companies engage in profit-shifting strategies to minimize tax burdens. Additionally, profitability, as measured by Return on

Assets (ROA), also influences tax aggressiveness, indicating that more profitable firms may either comply with tax regulations due to increased scrutiny or adopt aggressive tax strategies to maximize earnings. However, fixed asset intensity does not have a significant effect on tax aggressiveness, suggesting that companies primarily utilize fixed assets for operational purposes rather than as a tool for tax planning.

The study also finds that the audit committee moderates the relationship between transfer pricing and tax aggressiveness, demonstrating its crucial role in overseeing transfer pricing practices and ensuring compliance with tax regulations. This result underscores the importance of strong governance mechanisms in preventing aggressive tax planning. However, the audit committee does not significantly moderate the effect of profitability (ROA) and fixed asset intensity on tax aggressiveness. This finding suggests that while audit committees play a crucial role in regulating discretionary tax strategies like transfer pricing, their influence on structural financial metrics, such as profitability and asset composition, may be limited.

These results highlight the importance of strengthening corporate governance structures, particularly in enhancing the effectiveness of audit committees. Companies should focus on improving audit committee independence, financial expertise, and oversight functions to ensure better supervision of tax-related decisions. Future research could explore additional corporate governance factors, such as audit committee meeting frequency and industry-specific regulations, to further understand their impact on corporate tax management. Policymakers should also consider enhancing regulatory frameworks to prevent tax avoidance through transfer pricing while promoting transparency in financial reporting.

REFERENCES

- Adiyani, N., & Septanta, R. (2017). Pengaruh Likuiditas Dan Profitabilitas Terhadap Agresivitas Pajak Dengan Csr Sebagai Variabel Intervening. *Jurnal Ilmiah Akuntansi Universitas Pamulang*, 5(1), 268530.
- Afifah, M. D., & Hasymi, M. (2020). Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan, Intensitas Aset Tetap Dan Fasilitas Terhadap Manajemen Pajak Dengan Indikator Tarif Pajak Efektif. *Journal Of Accounting Science*, 4(1), 29–42.
- Amalia, D. (2021). Pengaruh Likuiditas, Leverage Dan Intensitas Aset Terhadap Agresivitas Pajak. *KRISNA: Kumpulan Riset Akuntansi*, 12(2), 232–240.

- Arradha, A. C., & Sisdiyanto, E. (2024). Studi Literature Review: Strategi Perusahaan Multinasional Dalam Implementasi Transfer Pricing Pada Aspek Perpajakan. *Jurnal Ilmiah Manajemen Ekonomi Dan Akuntansi (JIMEA)*, 1(3), 1–6.
- Atun Kariima, M., & Septiowati, R. (2019). Pengaruh Manajemen Laba Dan Rasio Likuiditas Terhadap Agresivitas Pajak. *Jurnal Akuntansi Berkelanjutan Indonesia*, 2(1), 17–38.
- Azzahra, A., & Triyono, T. (2024). Pengaruh Profitabilitas, Ukuran Perusahaan, Dan Intensitas Aset Tetap Terhadap Tax Avoidance: Komite Audit Sebagai Variabel Moderasi. *Economics And Digital Business Review*, 5(2), 310–324.
- Azzuhriyyah, A. A., & Kurnia, K. (2023). Pengaruh Tunneling Incentive, Intangible Asset, Dan Debt Covenant Terhadap Keputusan Transfer Pricing Dengan Tax Minimization Sebagai Variabel Moderasi (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2015-2021). *EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis*, 11(1), 63–72.
- Budianti, S., & Curry, K. (2018). Pengaruh Profitabilitas, Likuiditas, Dan Capital Intensity Terhadap Penghindaran Pajak (Tax Avoidance). *Prosiding Seminar Nasional Cendekiawan*, 1205–1209.
- Dalam, W. W. W., & Novriyanti, I. (2020). Faktor-Faktor Yang Mempengaruhi Penghindaran Pajak. *Journal Of Applied Accounting And Taxation*, 5(1), 24–35.
- Darma, R., Tjahjadi, Y. D. J., & Mulyani, S. D. (2018). Pengaruh Manajemen Laba, Good Corporate Governance, Dan Risiko Perusahaan Terhadap Tax Avoidance. *Jurnal Magister Akuntansi Trisakti Vol*, 5(2).
- Fadhilah, M. A. (2018). *Pengaruh Pajak Dan Intangible Assets Terhadap Motivasi Perusahaan Melakukan Transfer Pricing*.
- Hartina, A., & UST, A. F. E. (2018). Komite Audit Sebagai Pemoderasi Pengaruh Tax Minimization Terhadap Transfer Pricing. *Jurnal Ekobis Dewantara Vol*, 1(2).
- Ibrahim, M., Bulutoding, L., & Fadhillatunisa, D. (2024). Pengaruh Profitabilitas, Leverage Dan Capital Intensity Terhadap Agresivitas Pajak Dengan Komite Audit Sebagai Variabel Moderasi. *Isafir: Islamic Accounting And Finance Review*, 5(1), 82–97.
- Irawati, W., Akbar, Z., Wulandari, R., & Barli, H. (2020). Analisis Profitabilitas, Leverage, Pertumbuhan Penjualan Dan Kepemilikan Keluarga Terhadap Penghindaran Pajak. *JAK (Jurnal Akuntansi) Kajian Ilmiah Akuntansi*, 7(2), 190–199.
- Jalil, F. Y., Azhar, I., Annas, M., Galib, A., Tarmizi, R., Tanjung, J., Meutia, T., De Fretes, A. V. C., Solihin, A., & Wulandari, S. S. (2024). *Dasar-Dasar Perpajakan*. Sada Kurnia Pustaka.
- Lestari, N. (2023). *Pengaruh Kebijakan Dividen, Profitabilitas Dan Ukuran Perusahaan Terhadap Tindakan Penghindaran Pajak Pada Perusahaan Sektor Pertanian Yang Terdaftar Di BEI Periode 2017-2021*. Fakultas Ekonomi Dan Bisnis Universitas Pakuan.
- Manoppo, I. N. A., & Susanti, M. (2022). Pengaruh Transfer Pricing Terhadap Agresivitas Pajak Perusahaan Makanan & Minuman Yang Terdaftar Di BEI Tahun 2020–2021. *Jurnal Pembangunan Ekonomi Dan Keuangan Daerah*, 23(2), 172–183.
- Margaretha, A., & Siagian, V. (2021). Pengaruh Deferred Tax, Capital Intensity, Dan Return On Asset Terhadap Agresivitas Pajak. *Jurnal Akuntansi*, 13(1), 160–172.
- Oktaviani, I., Alaidrus, S., & Siswanto, S. (2022). The Influence of Qard and Zakat on Profitability of Islamic Banks in Indonesia. *Indonesian Interdisciplinary Journal of*

- Sharia Economics (IIJSE)*, 5(1), 63-73. <https://doi.org/10.31538/iijse.v5i1.1968>
- Panjalusman, P. A., Nugraha, E., & Setiawan, A. (2018). Pengaruh Transfer Pricing Terhadap Penghindaran Pajak. *Jurnal Pendidikan Akuntansi & Keuangan*, 6(2), 105–114.
- Permatasari, M., Melyawati, M., Firmansyah, A., & Trisnawati, E. (2021). Peran Konsentrasi Kepemilikan: Respon Investor, Penghindaran Pajak, Manajemen Laba. *Studi Akuntansi Dan Keuangan Indonesia*, 4(1), 17–29.
- Prasetyo, Y. F. (2023). *Pengaruh Manajemen Laba, Transfer Pricing, Intensitas Persediaan, Terhadap Agresivitas Pajak Perusahaan Dengan Ukuran Perusahaan Sebagai Variabel Moderasi (Studi Pada Perusahaan Consumer Cyclicals Dan Consumer Non Cyclicals Yang Terdaftar Di Bei Tahun 202)*. Fakultas Ekonomi Dan Bisnis Uin Syarif Hidayatullah.
- Prastiwi, D., & Walidah, A. N. (2020). Pengaruh Agresivitas Pajak Terhadap Nilai Perusahaan: Efek Moderasi Transparansi Dan Kepemilikan Institusional. *Jurnal Ekonomi Dan Bisnis*, 23(2), 203–224.
- Pratiwi, H. A., & Pramita, Y. D. (2021). Pengaruh Strategi Bisnis, Transfer Pricing, Koneksi Politik, Dan Intensitas Aset Tetap Terhadap Tax Avoidance (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Di BEI 2015–2019). *Borobudur Accounting Review*, 196–209.
- Pratiwi, N. P. D., Mahaputra, I. N. K. A., & Sudiartana, I. M. (2021). Pengaruh Financial Distress, Leverage Dan Sales Growth Terhadap Tax Avoidance Pada Perusahaan Manufaktur Yang Terdaftar Di BEI Tahun 2016-2018. *KARMA (Karya Riset Mahasiswa Akuntansi)*, 1(5), 1609–1617.
- Putra, I. M. (2019). *Manajemen Pajak: Strategi Pintar Merencanakan Dan Mengelola Pajak Dan Bisnis*. Anak Hebat Indonesia.
- Putri, N., & Mulyani, S. D. (2020). Pengaruh Transfer Pricing Dan Kepemilikan Asing Terhadap Praktik Penghindaran Pajak (Tax Avoidance) Dengan Pengungkapan Corporate Social Responsibility (Csr) Sebagai Variabel Moderasi. *Prosiding Seminar Nasional Pakar*, 2–4.
- Putriningsih, D., Suyono, E., & Herwiyanti, E. (2018). Profitabilitas, Leverage, Komposisi Dewan Komisaris, Komite Audit, Dan Kompensasi Rugi Fiskal Terhadap Penghindaran Pajak Pada Perusahaan Perbankan. *Jurnal Bisnis Dan Akuntansi*, 20(2), 77–92.
- Sadiyah, M. (2020). *Pengaruh Profitabilitas, Leverage Dan Komisaris Independen Terhadap Agresivitas Pajak (Studi Pada Perusahaan Manufaktur Sektor Industri Barang Konsumsi Yang Terdaftar Di BEI Tahun 2016-2019)*. Universitas Bhayangkara.
- Sarra, H. D. (2017). Pengaruh Konservatisme Akuntansi, Komite Audit Dan Dewan Komisaris Independen Terhadap Penghindaran Pajak (Studi Empiris Pada Industri Kimia Dan Logam Di Bursa Efek Indonesia Periode 2010-2014). *Competitive Jurnal Akuntansi Dan Keuangan*, 1(1), 63–86.
- Sasongko, F. N., & Rachma, E. . (2021). The Effect of Financial Performance on ROA Projected as Profitability. *Majapahit Journal of Islamic Finance and Management*, 1(1), 60–74. <https://doi.org/10.31538/mjifm.v1i1.5>
- Septiawan, K., Ahmar, N., & Darminto, D. P. (2021). *Agresivitas Pajak Perusahaan Publik Di Indonesia & Refleksi Perilaku Oportunis Melalui Manajemen Laba*. Penerbit NEM.
- Sidik, P., & Suhono, S. (2020). Pengaruh Profitabilitas Dan Leverage Terhadap Agresivitas

- Pajak. *E-Jurnal Ekonomi Dan Bisnis Universitas Udayana*, 11, 1045.
- Sulistiyanti, U., & Nugraha, R. A. Z. (2019). Corporate Ownership, Karakteristik Eksekutif, Dan Intensitas Aset Tetap Terhadap Penghindaran Pajak. *Profita: Komunikasi Ilmiah Dan Perpajakan*, 12(3), 361–377.
- Tyas, I. R. (2021). Analisis Dampak Efektivitas Kebijakan Transfer Pricing Dalam Menangkal Penghindaran Pajak Pada KPP Madya Jakarta Pusat Tahun 2018-2019. *Jurnal Pajak Vokasi (JUPASI)*, 3(1), 31–38.
- Ulung, Y. S., & Meilani, S. E. R. (2023). *Pengaruh Transfer Pricing Dan Manajemen Laba Terhadap Penghindaran Pajak Perusahaan Di Indonesia*. Uin Surakarta.
- Utami, M. (2017). *Pengaruh Kepemilikan Keluarga Dan Corporate Social Responsibility Terhadap Agresivitas Pajak Dengan Manajemen Laba Sebagai Variabel Moderasi*. Jakarta: Fakultas Ekonomi Dan Bisnis UIN Syarif Hidayatullah Jakarta.
- Wanda, A. P., & Halimatusadiah, E. (2021). Pengaruh Solvabilitas Dan Profitabilitas Terhadap Penghindaran Pajak. *Jurnal Riset Akuntansi*, 59–65.
- Wesly, J., & Kuntadi, C. (2024). Pengaruh Manajemen Laba Dan Financial Distress Terhadap Agresivitas Pajak. *Neraca: Jurnal Ekonomi, Manajemen Dan Akuntansi*, 2(3), 473–483.
- Zahrani, A., Maura, S., Mulyani, D. R., Malinda, S. P., Isabella, S., & Wijaya, S. (2024). Faktor-Faktor Eksternal Dan Internal Yang Berkontribusi Terhadap Tax Avoidance Pada Perusahaan Publik. *Akuntansiku*, 3(3), 173–185.
- Zalfa Ambarsari, N. (2023). *Pengaruh Capital Intensity, Kepemilikan Institusional Dan Leverage Terhadap Tax Avoidance Dengan Ukuran Perusahaan Sebagai Variabel Moderasi (Studi Kasus Pada Perusahaan Sub Sektor Perdagangan Ritel Yang Terdaftar Di BEI Tahun 2017–2021)*. Universitas Bhayangkara Surabaya.