CORPORATE TAX STRATEGY: REVEALING THE INFLUENCE OF EXECUTIVE DECISIONS IN TAX AVOIDANCE

Yovan Allif Ananda[1]
Universitas Islam Riau, Riau, Indonesia
yovanallifananda@student.uir.ac.id

Lintang Nur Agia[2]
Universitas Islam Riau, Riau, Indonesia
lintangnuragia@eco.uir.ac.id

Abstract

The reduction in Indonesia's tax ratio signifies the persistence of tax evasion tactics, especially within the energy industry, characterized by intricate affiliate transactions and substantial financial risks. Transfer pricing and financial suffering are frequently linked to tax evasion; nonetheless, prior research findings remain incongruous. This study seeks to examine the impact of transfer pricing and financial difficulty on tax evasion, with Risk Executive Characteristics serving as a moderating variable. This research employs a quantitative methodology utilizing panel data regression on 62 energy sector firms listed on the Indonesia Stock Exchange from 2022 to 2024. The data was analyzed utilizing EViews 13, employing Cash Tax Evasion (CTA) as a surrogate for tax evasion. The findings indicate that transfer pricing and financial difficulties do not exert a direct influence on tax evasion. Nevertheless, Risk Executive Characteristics enhance the correlation between the two and tax avoidance. This study positions Risk Executive Characteristics as a moderating variable and employs CTA as a more pertinent proxy for assessing tax avoidance.

Keywords: Tax Avoidance, Transfer Pricing, Financial Distress, Risk Executive Characteristics

INTRODUCTION

According to Law Number 17 of 2003 of the Republic of Indonesia on State Finances, the three primary sources of state revenue are grants, tax revenues, and non-tax revenue (Hendianto, 2003). Among the three, tax revenue contributes the most to the State Budget (APBN). According to Pratama & Suryarini (2020), taxes are the state's main source of funding, accounting for over 80% of the State Revenue and Expenditure Budget (APBN). According to the Ministry of Energy and Mineral Resources, ESDM's non-tax state revenue (PNBP) in 2023 was Rp300.3 trillion, or 116% of the target of Rp259.2 trillion (www.esdm.go.id, 2024). However, despite the nominal increase in tax revenue, the tax ratio has actually declined.

In 2023, despite tax revenue reaching Rp 1,869.23 trillion, the tax ratio declined from 10.39% in 2022 to 10.21% in 2023 (DDTCNews, 2024). The decrease in tax ratios shows that, although more taxes are being collected, their growth is not keeping pace with the national economy's expansion. The low level of tax compliance. One reason for this discrepancy is the propensity of big businesses to avoid paying taxes. As a consequence, big and small businesses pay different taxes, as larger firms with better access to tax loopholes can legally substantially lower their tax obligations. This phenomenon not only has the potential to reduce state revenue but can also undermine public confidence in the fairness of the state's taxation system.

Although technically not illegal, tax avoidance can lower state revenue, making it a major issue that should be addressed more effectively. Although it exploits existing legal vulnerabilities, Tax Avoidance can harm the tax system as a whole, especially when aggressively pursued by large companies. In this context, Tax avoidance refers to tactics businesses use to reduce their tax obligations by exploiting still-allowable legal loopholes. Tax Avoidance can include legal methods but may also involve practices that are ethically questionable, especially when they interfere with fair contributions to state revenue (Khuong et al., 2020). The reason tax collection has not been optimised is the low level of taxpayer compliance with payment obligations, reporting requirements, and applicable tax regulations (Supriyati & Hapsari, 2021).

In recent times, the downward trend in tax payments from the mining and processing sector has been a public focus. According to a CNBC Indonesia report (2024), Tax contributions from both sectors have declined sharply due to weakening industrial activity, falling commodity prices, and increased tax refunds from large companies. This situation has raised suspicions that companies are implementing fiscal efficiency strategies, including aggressive tax planning. When the economy is struggling, businesses often seek to reduce their tax liability through legal strategies, such as tax planning and tax avoidance. This problem reveals a discrepancy between firms' efforts to reduce their tax obligations and their compliance with tax laws, ultimately affecting state revenue and the effectiveness of government fiscal policies.

Given this phenomenon, the possibility of price manipulation in transactions between related companies (Transfer Pricing) is often a concern because it can affect multinational companies' tax policies. According to Hendrylie et al. (2023) & Torvik (2019), Transfer Pricing is a company policy for setting transaction prices between entities within a corporate group that have a special relationship. This practice can occur both within a company (intracompany) and between companies (intercompany), with the aim of assessing division performance, improving operational efficiency, and coordinating between related branches. Meanwhile, Financial distress is a situation in which a corporation struggles to fulfill its financial responsibilities, such as debt payments or other operational costs (Gunarto & Adi, 2022).

There has been extensive research on the relationship between transfer pricing, financial hardship, and tax evasion, but the findings remain mixed. The results of earlier research on the relationship between transfer pricing and tax evasion have been inconclusive. For instance, Napitupulu et al. (2020). Alternative research suggests that transfer pricing has no appreciable effect on tax evasion, despite evidence that it has a large influence (Alfina et al., 2024). Similarly, research on Financial Distress, which describes a state of financial pressure, often finds that companies adopt more aggressive tax planning to survive (Dang & Tran, 2021). However, several other studies suggest that companies experiencing distress may not be particularly motivated to engage in Tax Avoidance, or may even be constrained by liquidity limitations (Nauli Sipayung et al., 2023). This inconsistency suggests that additional variables may moderate this relationship.

In addition to financial conditions, behavioural dimensions of management, particularly executive characteristics, should also be considered as they can influence how Tax Avoidance strategies are implemented in high-pressure situations. In the context of Tax Avoidance, Risk Executive Characteristics refer to the managerial ability to make strategic decisions that affect the organisation, with an emphasis on decision-making capacity in complex situations. Furthermore, Risk Executive Characteristics refer to the traits of individuals who lead companies, such as integrity, ethics, experience, and risk management approach (Nabila & Rachmawati, 2023). Leaders have two characteristics in performing their duties: risk takers and risk-averse. Risk takers are executives who are bold in taking risks. Executives with a character more inclined to aggressive decision-making may be more open to using more complex Tax Avoidance techniques (Komala et al., 2023). Meanwhile, risk-averse executives are less willing to take risks. As such, those who are more conservative and oriented towards long-term sustainability may prioritise strict tax compliance (Krisyadi & Anita, 2022). Therefore, the likelihood that a corporation will engage in tax avoidance is significantly influenced by executives' risk-taking characteristics. It may affect the company's financial health, reputation, and relationship with tax authorities.

Risk executive characteristics have been shown to directly affect tax avoidance in a number of prior investigations (Alfiyah et al., 2022), However, studies that specifically place Risk Executive Characteristics as a moderating variable are still very limited, especially in the energy sector, which is vulnerable to Transfer Pricing practices and Financial Distress risks. Inconsistencies also arise regarding the effectiveness of Risk Executive Characteristics as a moderator, Kartadjumena & Muntazhar (2021) The study found that although the association between Transfer Pricing and Tax Avoidance was unaltered, the relationship between Financial Distress and Tax Avoidance was the only one that may be increased by Risk Executive Characteristics. Conversely, Rohmah & Romadhon (2023) In service companies, a different moderation pattern was found, where Risk Executive Characteristics effectively moderated the relationship with Transfer Pricing, but were not significant in Financial Distress. Furthermore, in Indonesia's energy sector, capital-intensive industry characteristics, high cross-border investment requirements, and external pressures stemming from commodity price fluctuations demand adaptive, often risky, managerial policies.

Because of this, research on the function of Risk Executive Characteristics as a moderating variable becomes more pertinent.

This analysis provides fresh perspectives on how transfer pricing and financial hardship affect tax evasion in the energy industry between 2022 and 2024. This research uses Risk Executive Characteristics as a moderating variable. The Current Effective Tax Rate (C-ETR) is considered a less significant indicator of tax avoidance than Cash Tax Avoidance (CTA), which is another distinguishing factor of this approach. This is due to changes in tax policy, particularly in corporate income tax rates, which make C-ETR less reflective of companies' actual conditions. Thus, the implementation of CTA is anticipated to yield a more precise and contextual understanding of tax avoidance practices during the research period.

By elucidating the effects of transfer pricing, financial hardship, and tax evasion in the energy industry, this research advances theoretical knowledge. Risk Executive Characteristics is used as a moderating variable to achieve this. This study demonstrates the significance of human factors, particularly Risk Executive Characteristics, in shaping corporate taxation policies, which were previously viewed primarily through the lens of financial or regulatory mechanisms. Practically, the results of this study can assist companies in designing more efficient Tax Avoidance policies that comply with applicable regulations, as well as provide suggestions to regulators to improve the efficiency of their monitoring of transfer pricing and tax evasion in the energy industry, thereby maintaining tax compliance and fiscal justice.

REVIEW OF LITERATURE

Agency theory, as introduced by Jensen and Meckling (1976), elucidates the potential for conflicts of interest in the dynamics between principals and agents. In the context of a company, the principal is the shareholder who entrusts the management of the company to the agent, namely the management. Agency conflicts arise when managers (agents) act in their own interests, which may not align with the objectives of shareholders (principals), such as maximising company profits (Putra et al., 2019). Empirical data indicate that company governance attributes, such as board composition and managerial incentives, are closely associated with tax avoidance behavior and earnings management (Olanda & Marietza, 2024). Therefore, Tax Avoidance has emerged as a strategy to legally reduce tax burdens through existing regulatory loopholes, which in turn can have negative implications for state revenue. This practice is particularly relevant to companies with complex international structures, as found in Transfer Pricing and Financial Distress management practices. In addition, the characteristics of executives as decision-makers significantly influence the aggressiveness of Tax Avoidance strategy implementation (Rohmah & Romadhon, 2023).

Agency theory explains that managers who control corporate decisions are often caught in a conflict of interest between their personal interests and those of shareholders. Short-term performance-based compensation encourages managers to prioritise strategies such as Tax Avoidance, which can harm shareholder interests in the long term (Gunarto & Adi, 2022).One proposed solution is to strengthen the roles of the board of commissioners and independent auditors to ensure that managers' decisions align with shareholder interests, including in matters of Tax Avoidance. This is crucial so that decisions are not based solely on agents' personal interests but also on shareholders' interests (Lestari, 2023). Thus, Agency theory is useful for understanding the impact of Transfer Pricing, Financial Distress, and Risk Executive Characteristics as moderating factors in corporate tax decision-making, as well as for explaining managers' reasons for engaging in tax avoidance.

By exploiting loopholes in the current tax code, businesses use tax avoidance as a legal strategy to reduce their tax obligations. Transfer pricing is a technique often used to avoid paying taxes. In this context, transfer pricing refers to the pricing agreements between affiliated companies within a business group that may be used to shift earnings to nations with lower tax rates (Kalra & Afzal, 2023; Shin, 2020). In the context of agency theory, this may be perceived as a divergence of objectives between the owner (principal) and management (agent). Transfer pricing techniques are often used by large businesses to reduce tax obligations and boost profits, thereby providing incentives for managers (Deden Tarmidi et al., 2023; Rini et al., 2022).

H1: Transfer Pricing has a positive effect on Tax Avoidance.

Financial Distress, an unhealthy financial condition or crisis within a company, may prompt businesses to engage in tax evasion to ease their financial burden. Companies experiencing financial difficulties are often more aggressive in devising Tax Avoidance strategies to reduce their high tax burden and improve their financial condition (Ariff et al., 2023; Dang & Tran, 2021). In the context of agency theory, there is potential tension between owners and managers, as managers may be inclined to pursue aggressive tax avoidance strategies to improve the company's financial position. This can damage the company's reputation in the long term, even though managers feel compelled to do so in order to optimise their financial position (Alkurdi & Mardini, 2020; Pahala et al., 2025).

H2: Financial Distress has a positive effecton Tax Avoidance.

Businesses use shift pricing to shift revenues from high-tax countries to lower-tax ones, potentially leading to tax evasion. Research by Ojong et al (2021) demonstrates that businesses that use aggressive transfer pricing strategies often engage in greater tax evasion. On the other hand, executive characteristics, such as integrity, ethical attitude, and risk-taking behaviour, determine the extent to which Transfer Pricing policies are implemented conservatively or aggressively. Cheih Ying et al (2021) found that executives with more aggressive characteristics are potentially more open to Tax Avoidance through Transfer Pricing. From an agency theory perspective, those that put short-term earnings first often use transfer pricing to lower their tax liabilities. Thai et al. & Duho et al (2024; 2025) argue that Risk Executive Characteristics that support Tax Avoidance are an integral part of corporate decision-making.

H3: Risk Executive Characteristics strengthen the relationship between Transfer Pricing and Tax Avoidance.

Financial Distress encourages companies to seek alternative ways to manage tax liabilities to maintain liquidity and profitability. Dang & Tran (2021) Found That Businesses experiencing financial difficulties are more inclined to engage in tax avoidance strategies. Conversely, Risk Executive Characteristics significantly influence tax-related decision-making; executives with a more aggressive approach to financial objectives may be more inclined to employ Tax Avoidance strategies during periods of Financial Distress ((Li et al., 2021; Sadjiarto et al., 2023). In addition, Risk Executive Characteristics can shape a corporate culture that values Tax Avoidance as part of its business strategy. Therefore, when a business is under financial distress, risk executive traits may worsen the propensity to engage in tax avoidance.

H4: Risk Executive Characteristics strengthen the relationship between Financial Distress and Tax Avoidance.

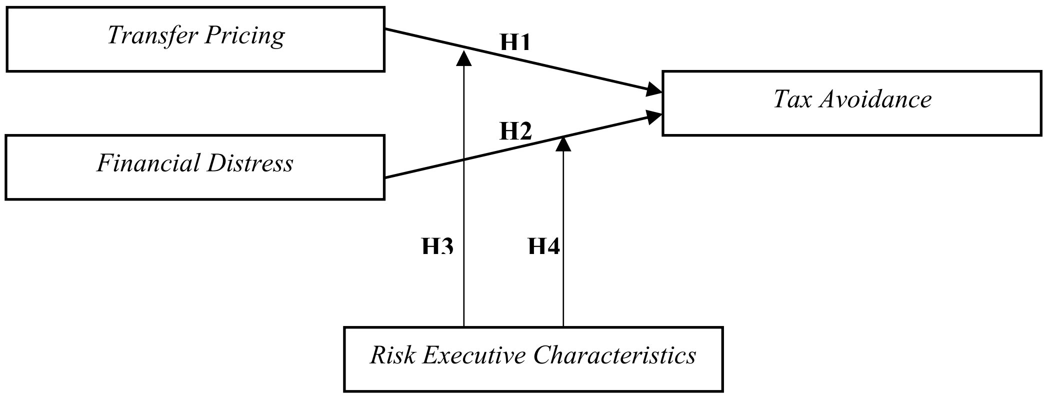

Figure 1.
Conceptual Framework
Source: Research Data, 2025

RESEARCH METHOD

This study examines the causal relationship among independent, dependent, and moderating variables via a quantitative methodology and a causal associative framework. Energy businesses listed between 2022 and 2024 on the Indonesia Stock Exchange (IDX) are the subjects of this research. The sample was selected using purposive sampling in accordance with established standards, and the research population comprised all energy-sector firms at that time.

The secondary data for the study were obtained from corporate financial papers available on each company's website and the official IDX website. The impact of transfer pricing and financial hardship on tax evasion was examined using Eviews 13 and panel-data regression methods, with Risk Executive Characteristics serving as a moderating variable.

Table 1.
Research Sample

Criteria	Total
Indonesia Stock Exchange-listed energy firms	90
Energy firms that don't often provide annual and financial reports	(15)
Energy companies that do not have subsidiaries	(9)
Companies in the energy sector that do not deal with connected parties but hav subsidiaries	(4)
Companies included in the sample	62
Observation Year (2022–2024)	3
Total Observation Data	186

Source: Research Data, 2025

Table 2.
Operational Variables

Variable	Notation	Proxy and Measurement	Source
Dependent			
Tax Avoidance	CTA	C ETR = (cash tax payments from companies divided by pre-tax income) CTA = Mandatory Tax Rate (corporate income tax rate) – C ETR *Based on previous research stating that low Cash ETR correlates with high CTA, to assist in interpreting Cash ETR results as a proxy for CTA, CTA results will be multiplied by (-1).	(Dwi ramadhan et al., 2024; Rahma et al., 2022)
Independent			
Financial Distress	FD	Z = 0,012X_1 + 0.014 X_2 + 0,033X_3 + 0,006X_4 + 0,999X_5 Keterangan: Z = bankruptcy index $X_1 = \frac{\text{working capital}}{\text{total asset}}$ $X_2 = \frac{\text{retained earnings}}{\text{total asset}}$ $X_3 = \frac{\text{earning before interest and taxes}}{\text{total asset}}$ $X_4 = \frac{\text{market value of equity}}{\text{book value of total debt}}$ $X_5 = \frac{\text{sales}}{\text{total asset}}$ The results are then dummy-coded: Z-scores in the distress zone (Z < 1.81) are assigned a code of 0, those in the grey zone (1.81 ≤ Z ≤ 2.99) are assigned a code of 1, and those in the safe zone (Z > 2.99) are assigned a code of 2.	(Adrian R. Bell, 2013; Aenun1 et al., 2025; Rahayu & Handayani, 2023)
Transfer Pricing	TP	$RPT = \frac{RPT\ receivables}{Total\ Receivables}$ RPT receivables = receivables from related parties	(Fidiantoro et al., 2025; Shalsabila Herman et al., 2023)
Moderating			

Risk Executive Characteristics	REC	This study measures executive character using corporate risk, which is defined as follows: $CRISK=\frac{EBITDA\ standard\ deviation}{Total\ Assets}$ Explanation: Earnings Before Interest, Taxes, Depreciation, and Amortization is referred to as EBITDA, indicating a company's revenue prior to the subtraction of interest, taxes, depreciation, and amortisation. 1 = Executives have a risk-taking character 0 = Executives have a risk-averse character.	(Honorris et al., 2025; Rohmah & Romadhon, 2023)

Source: Research Data, 2025

RESULTS AND DISCUSSION

Descriptive data for the variable Tax Avoidance (TA) are shown in Table 3. The variable's mean is -0.034, its maximum value is 5.590, its minimum value is -7.750, and its standard deviation is 5.525. The standard deviation of the Transfer Pricing (TP) variable is 0.419, its mean is 0.434, its highest value is 1.470, and its lowest value is 0.000. The standard deviation of the Financial Distress (FD) variable is 1.198, its mean is 0.967, its highest value is 1.240, and its minimum value is 0.000.

Table 3.
Descriptive Statistical Test Results

	Mean	Maximum	Minimum	Std. Dev.	Observations
TA	-0.034	5.590	-7.750	1.016	186
TP	0.434	1.470	0.000	0.419	186
FD	0.967	1.240	0.000	1.198	186
REC	0.186	0.830	-0.500	0.174	186
TP*REC	0.410	5.800	0.000	0.700	186
FD*REC	-0.042	9.600	-7.000	1.091	186

Source: Research Data*,* 2025

According to the Chow test findings shown in Table 4, the cross-sample's chi-square probability value is 0.0005. The first fixed effects model is considered the most suitable, as the result is below the 0.05 significance level (Gujarati, 2017). However, the Hausman test probability value for random effects is 0.000, which is below the 5% significance threshold (0.532 > 0.05). This implies that, unlike the fixed-effects model, the random-effects model is a better fit for this study. Similarly, the Breusch-Pagan Lagrange Multiplier test's p-value of 0.000 is below the 5% significance level (0.000 < 0.05). The conventional effects model appears to be the best fit for these data. The conclusions from this three-panel regression model indicate that the REM is the best-suited method for this investigation.

Table 4.
Regression Model Selection

Test	Probability	Approach	Decision
Chou	0.000	FEM	Not Approved
Hausman	0.532	REM	Not Approved
Langrange Multiplier	0.000	REM	Approved

Source: Research Data, 2025

The normality test reported in Table 5 was conducted to determine whether the data under study were normally distributed. If the data were normally distributed, the independent and dependent variables would not be normally distributed. A skewness value of -0.548 was reported in Table 5 of the EViews results, indicating it falls within the range of -2 to +2, suggesting the data distribution remains acceptable and not extreme. The kurtosis value obtained was 1.525. This value is also within the range of -2 to +2, indicating that the data do not exhibit extreme skewness relative to the normal distribution. Therefore, it may be said that the data satisfy the normalcy assumption needed for further analysis and are normally distributed (Curran et al., 1996; Hair et al., 2017).

Table 5.
Normality Test Results

Skewness	-0.548	0.708
Skewness 3/5	1.542	0.061
Kurtosis	1.525	0.063
Normality	3.544	0.169

Source: Research Data, 2025

Figure 2 shows that the residuals do not exceed ±500, indicating that the residual variance remains constant (Gujarati, 2017). Consequently, heteroscedasticity is not evident, and this test confirms homoscedasticity (Gujarati, 2017).

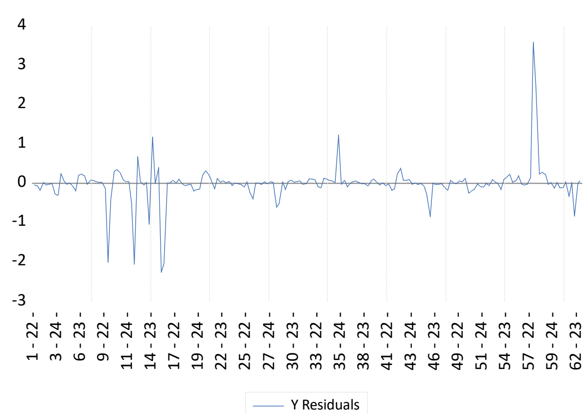

Figure 2.
Heteroscedasticity Test
Source: Research Data, 2025

A model is free of multicollinearity if the correlation coefficient between variables does not exceed 0.8 (Gujarati, 2017). Table 6 shows that all independent variable correlation coefficients are below this threshold, proving that multicollinearity is not included in the regression model used in this study

Table 6.
Multicollinearity Test

	TP	FD	RKE	TP*REC	FD*REC
TP	1000	-0.020	-0.177	0.560	0.061
FD	-0.020	1000	0.333	0.623	0.075
REC	-0.177	0.333	1000	0.065	-0.026
TP*REC	0.560	0.623	0.065	1000	0.063
FD*REC	0.061	0.075	-0.026	0.063	1000

Source: Research Data, 2025

Table 7 indicates that the F statistic produced a significance value of 0.000. This number, which is less than 0.05 (0.000 < 0.05), indicates that financial difficulty and transfer pricing have a significant impact on tax evasion. Transfer pricing has no discernible impact on tax avoidance, as shown in Table 7. The Transfer Pricing variable has a coefficient of -0.190 and a significance value of 0.149. The Financial Distress variable has a coefficient of -0.137 and a p-value of 0.003, indicating a significant, partial decrease in tax avoidance. The moderator variable, Risk Executive Characteristics, has a significance value of 0.031 and a coefficient of 0.208, indicating a slight moderating influence on the association between transfer pricing and tax avoidance. The association between Financial Distress and Tax Avoidance is strongly moderated by Risk Executive Characteristics, as indicated by the coefficient of 0.787 and a p-value of 0.000. With a coefficient of determination (R2) of 0.755, Table 7 shows that Transfer Pricing and Financial Distress account for 75.5% of the variance in Tax Avoidance. Factors not accounted for in this model may elucidate the remaining 24.5%.

Table 7.
Results of data analysis to test the first hypothesis

Variable	Coefficient	Prob	Result
TP	-0.190	0.149	H1 Rejected
FD	-0.137	0.003	H2 Rejected
REC	-0.083	0.711	-
TP*REC	0.208	0.031	H3 Accepted
FD*REC	0.787	0.000	H4 Accepted
R-squared	0.762	*Adjusted R-squared*	0.755
F-statistic	1.156	*Durbin-Watson stat*	2.087
Prob(F-statistic)	0.000		

Source: Research Data, 2025

H1 in this research was rejected, as the hypothesis test results indicated that transfer pricing had no impact on tax evasion. The study concludes that transfer pricing serves not as a means of tax evasion, but as a management tool for overseeing relationships among companies within a corporate group. Research by Sari et al (2022) indicates that Transfer Pricing serves as a strategy for managing a company's costs and profits. Similar research by Ayem & Ningsih (2022) shows that companies establish Transfer Pricing policies as part of management aimed at improving efficiency and internal control, not for Tax Avoidance.

According to Agency Theory, these circumstances indicate that agents and principals share interests. Shareholders, as owners, prioritize the company's long-term viability and success, thereby encouraging management to use Transfer Pricing carefully and in accordance with business objectives. Research by Adiguna and Ritonga (2024) indicates that although there is a tendency to use Transfer Pricing to reduce tax burdens, the focus is more on profit management than on aggressive Tax Avoidance. Management's attempts to prevent legal and reputational concerns that might occur if the policy is abused for tax avoidance are also reflected in the use of transfer pricing as a valid managerial tool.

H2, which claims that there is a beneficial effect. The study's conclusions show that financial hardship negatively affects tax evasion. According to the research, companies with significant financial issues are more likely than those with less severe financial troubles to use less aggressive tax evasion tactics. Financial Distress increases the risk of bankruptcy, legal problems, and reputational damage, so companies tend to prioritise financial stability and business continuity. As stated by Gunarto and Adi, resource constraints caused by Financial Distress often divert managerial attention from aggressive Tax Avoidance to meeting short-term obligations and restructuring (Gunarto & Adi, 2022). In addition, resource constraints and managerial focus on restructuring and meeting short-term obligations reduce attention to aggressive tax planning. Research by Khamisan and Christina confirms that poor financial conditions can affect tax planning by reducing the company's risk-taking flexibility (Khamisan & Christina, 2020).

According to agency theory, managers are often more risk-averse because organizations in financial distress are subject to more stringent examination from creditors and shareholders. The additional risks of Tax Avoidance practices, such as tax penalties and reputational damage, have the potential to worsen financial conditions and increase agency conflicts (Utama & Anitawati Hermawan, 2020). Therefore, management chooses a more conservative tax policy. The findings align with prior research indicating that firms experiencing financial strain often decrease their tax aggressiveness, driven by heightened external scrutiny and the necessity to uphold legitimacy and fiscal compliance.

The results of the research confirm H3 by showing that executive characteristics strengthen the link between transfer pricing and tax evasion. This finding suggests that the effectiveness of Transfer Pricing as a tax avoidance strategy is significantly affected by the characteristics of executive-level decision-makers. Executives with a tendency to take risks have a higher tolerance for legal and reputational consequences, increasing their aggressiveness in employing Transfer Pricing to allocate profits and minimize tax liabilities. Research by Pratiwi confirms that the presence of profit-seeking executives can contribute to Tax Avoidance decisions (Pratiwi, 2023). Based on agency theory, these findings reflect the opportunistic behaviour of managers as agents who have high discretion and greater access to information than principals, so that the risk-oriented characteristics of executives reinforce agency conflicts through policies that increase after-tax profits, including aggressive Transfer Pricing practices. According to research by Ardillah & C (2021), it was shown that the degree of tax avoidance is significantly influenced by the personal traits of

CEOs, with incentive factors and risk preferences driving more aggressive decision-making in tax strategies.

The study's findings demonstrate that the connection between financial distress and tax evasion is strengthened by executive traits, thereby supporting H4. This finding indicates that financial pressure does not automatically determine Tax Avoidance behaviour, but rather depends heavily on the character of decision-makers at the executive level. Executives with a tendency towards risk-taking have a higher risk tolerance and tend to respond to Financial Distress by increasing Tax Avoidance in an effort to maintain liquidity and short-term financial stability (Ariff et al., 2023). Agency theory asserts that conflicts of interest between proprietors and executives are intensified by financial difficulties, so that risk-oriented executives take advantage of managerial discretion and information asymmetry to adopt more aggressive tax policies. This is in line with research by Arora & Gill (2022), which states that companies facing economic pressure may be more likely to behave aggressively in tax planning, especially when the incentives received depend on short-term performance.

CONCLUSION

Using risk executive characteristics as a moderating variable, the purpose of this research is to investigate how financial hardship and transfer pricing affect tax evasion among energy sector businesses listed on the Indonesia Stock Exchange between 2022 and 2024. Conceptually speaking, this research demonstrates that tax avoidance techniques in the energy industry are impacted by the traits of senior management decision-makers in addition to intercompany transactions and the financial distress of businesses. Thus, this study reinforces the view that Tax Avoidance is a phenomenon that involves financial aspects, company policy, and executive behaviour simultaneously within the framework of strategic corporate decision-making.

The availability and completeness of the research data are the primary constraints of this study. Information on Transfer Pricing in company financial reports is still difficult to access because most companies do not disclose it explicitly, so the measurement of these variables does not fully reflect actual practices. Limitations also arise in the collection of executive characteristic data, particularly regarding amortisation and depreciation information used as the basis for measuring Risk Executive Characteristics, given that many companies in the energy sector do not present this data in a detailed and consistent manner. This condition has the potential to limit the sample size and accuracy of variable measurement. Therefore, further research is recommended to use alternative proxies or additional data sources that are better able to capture Transfer Pricing practices and executive characteristics more accurately. It is anticipated that the study's conclusions would shed more light on tax evasion.

REFERENCES

Adiguna, S., & Ritonga, F. (2024). The Effect of Transfer Pricing and Profitability on Tax Avoidance Empirical Study in Industrial Sector Companies. *Jurnal Ilmiah Akuntansi Kesatuan*, *12*(3), 421–430. https://doi.org/10.37641/jiakes.v12i3.2718

Adrian R. Bell, C. B. and M. P. (2013). *Handbook Of Research Methods and Applications in*.

Aenun1, A. N., Murniati, S., & Suprapti, E. (2025). *Pengaruh Financial Distress Struktur*

Modal terhadap Harga Saham Perusahaan Sektor Teknologi di Bursa Efek Indonesia. 17–36.

Alfina, S., Wikan Kinasih, H., Purwantoro, & Herawati, R. (2024). *nurisnainayati,+7.+DETERMINAN+FAKTOR+PENENTU+PENGHINDARAN+PAJAK+PADA+PERUSAHAAN+SUB-SEKTOR+PERTAMBANGAN+DI+INDONESIA+TR+(2)*. *4*(2).

Alfiyah, N., Subroto, B., & Ghofar, A. (2022). *IS TAX AVOIDANCE CAUSED BY POLITICAL CONNECTION AND EXECUTIVE CHARACTERISTICS ? 13*(1), 32–41.

Alkurdi, A., & Mardini, G. H. (2020). The impact of ownership structure and the board of directors' composition on tax avoidance strategies: empirical evidence from Jordan. *Journal of Financial Reporting and Accounting*, *18*(4), 795–812. https://doi.org/10.1108/JFRA-01-2020-0001

Ardillah, K., & C, A. P. (2021). Executive Compensation, Executive Character, Audit Committee, and Audit Quality on Tax Avoidance. *Akuntabilitas*, *14*(2), 169–186. https://doi.org/10.15408/akt.v14i2.22114

Ariff, A., Wan Ismail, W. A., Kamarudin, K. A., & Mohd Suffian, M. T. (2023). Financial distress and tax avoidance: the moderating effect of the COVID-19 pandemic. *Asian Journal of Accounting Research*, *8*(3), 279–292. https://doi.org/10.1108/AJAR-10-2022-0347

Arora, T. S., & Gill, S. (2022). Impact of executive compensation on corporate tax aggressiveness: evidence from India. *Managerial Finance*, *48*(6), 833–852. https://doi.org/10.1108/MF-07-2021-0306

Ayem, S., & Ningsih, R. (2022). Tax Minimization Sebagai Pemoderasi Pada Indikasi Praktik Transfer Pricing Yang Dipengaruhi Oleh Bonus Mechanism Dan Debt Convenant. *Media Akuntansi Perpajakan*, *6*(2), 75–93. https://doi.org/10.52447/map.v6i2.5127

Cheih-Ying, C., Huarng, K.-H., & González, V. I. (2021). How creative cute characters affect purchase intention. *Journal of Business Research*, *142*, 211–220. https://doi.org/https://doi.org/10.1016/j.jbusres.2021.12.059

Curran, P. J., West, S. G., & Finch, J. F. (1996). The robustness of test statistics to nonnormality and specification error in confirmatory factor analysis. *Psychological Methods*, *1*(1), 16–29. https://doi.org/10.1037//1082-989x.1.1.16

Dang, V. C., & Tran, X. H. (2021). The impact of financial distress on tax avoidance: An empirical analysis of the Vietnamese listed companies. *Cogent Business and Management*, *8*(1). https://doi.org/10.1080/23311975.2021.1953678

DDTCNews. (2024). *rasio-pajak-2023-menurun-ini-kata-sri-mulyani*. News.Ddtc.Co.Id. https://news.ddtc.co.id/berita/nasional/1800333/rasio-pajak-2023-menurun-ini-kata-sri-mulyani

Deden Tarmidi, Agustin Fadjarenie, & Lin Oktris. (2023). Corporate Tax Policy: Impact Tunnelling Incentive, Debt Covenant, And Transfer Pricing. *Jurnal Akuntansi*, *27*(1), 157–175. https://doi.org/10.24912/ja.v27i1.1249

Duho, K. C. T., Asare, E. T., Glover, A., & Duho, D. M. (2024). Transfer pricing, earnings management and corporate governance among listed firms: Evidence from Ghana. *Corporate Governance (Bingley)*, *24*(7), 1663–1694. https://doi.org/10.1108/CG-12-2022-0519

Dwi ramadhan, S., Saputra, D., Nawas, A., & Abdul Rahman, F. (2024). Board Characteristics and Tax Avoidance: The Mediating Role of Integrated Reporting Quality. *Agregat: Jurnal Ekonomi Dan Bisnis*, *7*(2), 174–197. https://doi.org/10.22236/agregat_vol7.i2/16394

Fidiantoro, A. A., Eliza, A., & Ermawati, L. (2025). *PENGARUH KEPEMILIKAN ASING DAN DEBT COVENANT TERHADAP KEPUTUSAN MELAKUKAN TRANSFER PRICING DENGAN BEBAN PAJAK SEBAGAI VARIABEL MODERASI*. *09*(01), 1–13.

Gujarati, D. N. (2017). Rural Non-Farm Employment and Household Welfare: Evidence from Malawi. In *Rural Non-Farm Employment and Household Welfare: Evidence from Malawi*. https://doi.org/10.1596/1813-9450-8096

Gunarto, N. A., & Adi, P. H. (2022). Peran Financial Distress dalam Pengaruh Konservatisme Akuntansi terhadap Tax Avoidance. *E-Jurnal Akuntansi*, *32*(2), 3593. https://doi.org/10.24843/eja.2022.v32.i02.p01

Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2017). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)*. Sage Publications.

Hendianto, D. (2003). *DHendianto-BiroHukum BPK-RI/5/26/2008 1*. *1*, 1–40.

Hendrylie, J., Santoso, N. N., & Tallane, Y. Y. (2023). Analisis Transfer Pricing Dan Pemanfaatan Tax Haven Country Terhadap Praktik Penghindaran Pajak Pada Perusahaan Multinasional. *Jurnal Akuntansi, Keuangan, Perpajakan Dan Tata Kelola Perusahaan*, *1*(2), 126–134. https://doi.org/10.59407/jakpt.v1i2.226

Honorris, P., Trisnawati, E., & Sriwati, S. (2025). Karakteristik Eksekutif : Pengaruh Konservatisme Akuntansi, Kesulitan Keuangan, Harga Transfer terhadap Tax Avoidance. *E-Jurnal Akuntansi*, *35*(1), 62–76. https://doi.org/10.24843/eja.2025.v35.i01.p05

Indonesia, C. (2024, September 24). Industri Tambang & Pengolahan Mulai Loyo, Setoran Pajak Merosot Tajam. *CNBC Indonesia*. https://www.cnbcindonesia.com/news/20240924073759-4-574053/industri-tambang-pengolahan-mulai-loyo-setoran-pajak-merosot-tajam

Isbahi, M. B., Zuana, M. M. M., & Toha, M. (2024). The Multi-Social Relation of the Cattle Industry in the Plaosan Subdistrict Animal Market of Magetan Regency. *Malacca: Journal of Management and Business Development* , *1*(1), 31–46. https://doi.org/10.69965/malacca.v1i1.51

Jensen, M. C., & Meckling, W. H. (1976). THEORY OF THE FIRM: MANAGERIAL BEHAVIOR, AGENCY COSTS AND OWNERSHIP STRUCTURE. *The Corporate Financiers*, *3*, 305–360. https://doi.org/10.1057/9781137341280.0038

Kalra, A., & Afzal, M. N. I. (2023). Transfer pricing practices in multinational corporations and their effects on developing countries' tax revenue: a systematic literature review. *International Trade, Politics and Development*, *7*(3), 172–190. https://doi.org/10.1108/itpd-04-2023-0011

Kartadjumena, E., & Muntazhar, M. M. (2021). *Turkish Journal of Computer and Mathematics Education Vol . 12 No . 11 (2021), 1418-1425 Research Article Do the Executive Characters and Leverage can affect Tax Avoidance ?: Evidence from Indonesia Mining and Coal Listed Companies Turkish Journal of Co*. *12*(11), 1418–1425.

Khamisan, M. S. P., & Christina, S. (2020). Financial Distress, Tax Loss Carried Forward, Corporate Governance and Tax Avoidance. *Global Conference on Business and Social Sciences Proceeding*, *11*(1), 54. https://doi.org/10.35609/gcbssproceeding.2020.11(54)

Khuong, N. V., Liem, N. T., Thu, P. A., & Khanh, T. H. T. (2020). Does corporate tax avoidance explain firm performance? Evidence from an emerging economy. *Cogent Business and Management*, *7*(1). https://doi.org/10.1080/23311975.2020.1780101

Komala, A., Danarta, L. V., & Tallane, Y. Y. (2023). Studi Literatur: Analisis Transfer Pricing Dan Good Corporate Governance Dalam Upaya Praktik Penghindaran Pajak. *Jurnal Akuntansi, Keuangan, Perpajakan Dan Tata Kelola Perusahaan*, *1*(2), 135–142. https://doi.org/10.59407/jakpt.v1i2.232

Krisyadi, R., & Anita, A. (2022). Pengaruh Pengungkapan Tanggung Jawab Sosial Perusahaan, Kepemilikan Keluarga, dan Tata Kelola Perusahaan Terhadap Penghindaran Pajak. *Owner*, *6*(1), 416–425. https://doi.org/10.33395/owner.v6i1.599

Lestari, W. (2023). Deconstruction of Agency Theory with "Bisa Rumangsa" Culture. *Jurnal Samudra Ekonomi Dan Bisnis*, *14*(3), 381–392. https://doi.org/10.33059/jseb.v14i3.7054

Li, Z., Crook, J., Andreeva, G., & Tang, Y. (2021). Predicting the Risk of Financial Distress Using Corporate Governance Measures. *Pacific-Basin Finance Journal*, *68*, 101334. https://doi.org/10.1016/j.pacfin.2020.101334

Nabila, S., & Rachmawati, N. A. (2023). The Effect of Executive Characteristics and Financial Constraints on Tax Avoidance: *Journal of Accounting, Business and Management (JABM)*, *30*(2), 133. https://doi.org/10.31966/jabminternational.v30i2.876

Napitupulu, I. H., Situngkir, A., & Arfani, C. (2020). Transfer pricing pengaruhnya terhadap tax avoidance. *Kajian Akuntansi*, *21*(2), 126–141.

Nauli Sipayung, E. S., Aulia Putri, Y., Henny, D., & Budi Yanti, H. (2023). Tax Avoidance Practices on the Indonesian Stock Exchange. *Media Riset Akuntansi, Auditing & Informasi*, *23*(1), 169–182. https://doi.org/10.25105/mraai.v23i1.17274

Ojong, N., Simba, A., & Dana, L. P. (2021). Female entrepreneurship in Africa: A review, trends, and future research directions. *Journal of Business Research*, *132*(September 2020), 233–248. https://doi.org/10.1016/j.jbusres.2021.04.032

Olanda, D., & Marietza, F. (2024). The Effect Of Tax Avoidance On Firm Value With Earnings Management As A Mediation Variable. *EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis*, *12*(1), 1037–1050. https://doi.org/10.37676/ekombis.v12i1.5274

Pahala, I., Muliasari, I., Tunnisa, S. L., Wastuti, W., Abdulah, E. E., & Rismawati, R. (2025). The Financial Puzzle of Tax Avoidance: Insights From Profitability, Leverage, Asset Intensity and Sales Growth. *Veredas Do Direito*, *22*(2), e3202. https://doi.org/10.18623/rvd.v22.n2.3202

Pratama, I., & Suryarini, T. (2020). The Role of Independent Commissioners in Moderating the Effect of Capital Intensity, Inventory Intensity, and Profitability on Tax Aggressiveness. *Accounting Analysis Journal*, *9*(3), 208–214. https://doi.org/https://doi.org/10.15294/aaj.v9i3.42687

Pratiwi, A. P. (2023). *Executive Character and Tax Avoidance Decisions: The Intervening Effect of CEO Overconfidence*. 226–229. https://doi.org/10.2991/978-94-6463-346-

7_42

Putra, P., Syah, D., & Simatupang, B. (2019). *Institutional Ownership and Tax Avoidance: A Review Agency Theory*. https://doi.org/10.4108/eai.18-10-2018.2287316

Rahayu, W. K., & Handayani, S. (2023). Pengaruh Financial Distress, Insentif Tunneling Dan Kompensasi Rugi Fiskal Terhadap Penghindaran Pajak (Tax Avoidance). *Journal of Applied in Business Management and Accounting*, *2*(2), 22–49. https://intropublicia.org/index.php/jabma

Rahma, A. A., Pratiwi, N., Mary, H., & Indriyenni, I. (2022). Pengaruh Capital Intensity, Karakteristik Perusahaan, Dan CSR Disclosure Terhadap Penghindaran Pajak Pada Perusahaan Manufaktur. *Owner*, *6*(1), 677–689. https://doi.org/10.33395/owner.v6i1.637

Rini, I. G. A. I. S., Dipa, M., & Yudha, C. K. (2022). Effects of Transfer Pricing, Tax Haven, and Thin Capitalization on Tax Avoidance. *Jurnal Ekonomi Dan Bisnis Jagaditha*, *9*(2), 193–198. https://doi.org/10.22225/jj.9.2.2022.193-198

Rohmah, V. A., & Romadhon, F. (2023). *kuntansi, Vol. 6 No. 3, p. 419-438 Tipe Artikel: Paper Penelitian*. *6*(3), 419–438. https://doi.org/10.22219/jaa.v6i3.24069

Sadjiarto, A., Prasetyo, D. J., & Valerie, A. (2023). The Effect of Financial Distress and Transfer Pricing on Tax Avoidance in Multinational Companies Listed on Indonesia Stock Exchange (IDX) in 2020-2022 Period. *Journal of International Conference Proceedings*, *6*(7), 160–171. https://doi.org/10.32535/jicp.v6i7.2827

Sari, M. P., Budiarto, A., Raharja, S., Utaminingsih, N. S., & Budiantoro, R. A. (2022). The Determinant of Transfer Pricing in Indonesian Multinational Companies: Moderation Effect of Tax Expenses. *Investment Management and Financial Innovations*, *19*(3), 267–277. https://doi.org/10.21511/imfi.19(3).2022.22

Shalsabila Herman, Dirvi Surya Abbas, & Hamdani Hamdani. (2023). Pengaruh Tunneling Incentive, Bonus Mechanism, dan Debt Covenant Terhadap Transfer Pricing. *Akuntansi*, *2*(4), 76–87. https://doi.org/10.55606/akuntansi.v2i4.1269

Shin, M. J. (2020). Does Government Partisanship Influence Multinational Corporations' Tax Payments in the United States? *Social Science Quarterly*, *101*(2), 759–775. https://doi.org/10.1111/ssqu.12779

Supriyati, & Hapsari, I. (2021). *Tax Avoidance, Tax Incentives and Tax Compliance During the Covid-19 Pandemic: Individual Knowledge Perspectives. 4*(2), 222–241.

Thai, H. M., Dang, K. N., Mohd Nor, N. M., Nguyen, H. T., & Nguyen, K. V. (2025). Corporate tax avoidance and stock price crash risk: the moderating effects of corporate governance. *International Journal of Emerging Markets*, *20*(1), 1–25. https://doi.org/10.1108/IJOEM-11-2021-1767

Torvik, O. (2019). *Transfer Pricing and Intangibles*.

Utama, S., & Anitawati Hermawan, A. A. (2020). Family ownership and tax avoidance: An analysis of foreign related party transactions and dividend payments. *International Journal of Business and Society*, *21*(2), 643–659. https://www.scopus.com/inward/record.uri?eid=2-s2.0-85088238310&partnerID=40&md5=c3459747af9d763bd5937ba0f1b536dd

www.esdm.go.id. (2024). *Tembus Rp300,3 Triliun, PNBP Sektor ESDM di 2023 Lampaui Target*. Https://Www.Esdm.Go.Id. https://www.esdm.go.id/id/media-center/arsip-berita/tembus-rp3003-triliun-pnbp-sektor-esdm-di-2023-lampaui-target