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The Effect of Foreign Ownership, Sales Growth and Transfer Pricing on Tax Avoidance

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A B S T R A C T

The purpose of this study is to investigate how tax avoidance is affected by foreign ownership, sales growth, and transfer pricing in non-cyclical consumer sector companies that are listed on the Indonesia Stock Exchange (IDX) between 2018 and 2022. The associative quantitative research design is employed. Purposive sampling was utilized to choose 114 samples from 11 non-cyclical consumer sector businesses based on predetermined criteria. Annual reports and audited annual financial reports of businesses acquired via the Indonesia Stock Exchange's official website serve as the source of the secondary data. Using the eViews 9 application software, panel data regression analysis and descriptive statistics are the data analysis methods employed.

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INTRODUCTION

From year to year, taxes have an increasingly higher amount of value in state revenue. Based on the law, the nature of tax is that it is coercive, and does not directly guarantee the benefits that will be received in reciprocity. Taxes have a very influential role in utilizing development and budget planning as well as strategies for managing the state budget, because taxes are one of the largest sources of capital for state income in financing all expenditures required by the state itself.

Apart from being state revenue (budgetary function), another function of tax is that it is also used to implement or regulate government policies in the social and economic fields (regularend function). So, because achieving the tax revenue target is one of the most important things to ensure that the function of the tax is for the greatest prosperity of the people as explained in Law No. 6 of 1983 concerning General Provisions and Procedures for Taxation (UU KUP) article 1.

The company that commits tax avoidance that occurs in Indonesian companies is PT. Tiga Pilar Sejahtera Food Tbk (AISA), which is a company engaged in the production of consumer food goods. The company, which runs its business through two food entities, the name of the Taro brand snack producer, was brought to the surface after a raid on PT Indo Beras Unggul. Since then, the rice business, which previously contributed 50% of TPS Food's revenue, has not operated because the company has lost potential revenue of IDR 2 trillion per year. This condition was the beginning of the TPS Food company's financial problems. The company failed to pay the 1 year 2013 certificate with a principal amount of IDR 300 billion and matured on April 5 2018 and the same 1 year bond with an issuance of IDR 600 billion. In the fact-based investigation report from PT Ernst & Young Indonesia (EY) to AISA's new management on March 12 2019, it was suspected that inflation had occurred in the AISA Group's trade receivables, inventory and fixed asset accounts. And the company was reported to have been involved in transfer pricing practices.

It was also discovered that the main board of directors had inflated funds amounting to IDR 4 trillion, then also discovered allegations of inflated income of IDR 662 billion and other inflated amounts of IDR 329 billion in the EBITDA (profit before interest, tax, depreciation and amortization) post of the issuer's food business entity. . And there are other findings from EY, namely that there was a flow of funds amounting to IDR 1.78 trillion through various schemes from the AISA Group to parties suspected of being affiliated with the old management. There is a cash flow of Rp. 1.78 trillion which was allegedly sent by the TPS Food group to parties possibly related to the previous management. In this practice, various schemes were found, such as withdrawing loans from several banks by the TPS Food group, disbursement of term deposits, transferring funds via bank accounts, as well as financing expenses for affiliated parties by TP Food (Wareza, 2019).

There are several factors that influence tax avoidance, namely foreign ownership. Foreign ownership is an attractive foreign capital resource for a company to invest its capital, because foreign ownership can also help in monitoring and improving the performance of a company (Alkurdi & Mardini, 2020). Foreign investors are considered to have better organizational and managerial abilities, more modern technology, and a workforce that is trained and experienced (Maisaroh & Setiawan, 2021). The results of research conducted by Kusbandiyah & Norwani revealed that foreign ownership has an effect on tax avoidance.

The next factor is Sales Growth. Sales growth reflects the success of investments in the past period and can be used as a prediction of future growth (Hidayat, 2018). Sales growth is an important thing in a company because it indicates that the company's sales are experiencing growth. Sales growth has an influence in determining the size of the share of tax avoidance activities. Due to increased sales growth, the amount of tax payable increases. The higher the sales level, it indicates that the company's profits are increasing and it shows that the company's sales growth is fairly good (Asri & Mahfudin, 2021). The results of previous research related to sales growth were carried out by Juliana et al., (2020) and Ainniyya et al., (2021) which stated that sales growth has an influence on tax avoidance.

And the third factor is Transfer Pricing. Transfer pricing often experiences dilemmas in the aspect of tax abuse, because transfer pricing involves customs issues, anti-dumping provisions, changes in the transfer of income, as well as changes in the tax base from one tax to another (Rachmat, 2019). Transfer Pricing is a policy to regulate the price of a transaction carried out by a party who has a special relationship intentionally by the company to serve as one part of tax planning in reducing the tax burden that should be paid. The problem of transfer pricing activities is an interesting issue and has received attention from tax authorities in various countries, because it maximizes profits by transferring company profits from one country to another. The results of previous research related to transfer pricing conducted by research by (Monica & Irawati, 2021) stated that transfer pricing has an effect on tax avoidance.

LITERATURE REVIEW

This research cannot stand alone without the basic science that forms the foundation and theoretical basis. The theory that is the basis of science and used as consideration can be explained as follows:

Agency Theory

According to Jensen and Meckling (1976), in Fitria (2018) defines agency theory as the relationship between the agent (management) and the principal (company owner) who are related in a contractual manner. The principal gives the agent the task of providing services for the interests of the principal. In the practice of tax avoidance, the government will act as the principal and the taxpayer or company will act as the agent. The government as the principal has an interest in collecting income tax from companies acting as agents to increase state revenues.

Agency Theory is relevant to tax avoidance implemented by corporations. The differences in the interests of agents and principals can have an influence on the policies of a business entity. Using this system can provide opportunities for agents to carry out tax avoidance so that the profit before tax will be small and the tax expense charged by the corporation will also be small (Maharani & Juliarto, 2019).

Compliance Theory

Tax compliance is the most important subject, both for developed and developing countries. Rani (2017: 225) believes that taxpayer compliance is the fulfillment of tax obligations carried out by taxpayers (WP) in contributing to the country voluntarily with the aim of achieving state prosperity. However, the level of taxpayer compliance in Indonesia is still low when viewed from the gaps in revenue targets and tax revenue relations. (www.pajak.go.id). Non-compliance by taxpayers (WP) will give rise to the desire to carry out tax avoidance, circumvent smuggling and tax negligence. From the actions taken, the impact of these actions will cause tax revenues to decrease.

Hypothesis Development

1. The Effect of Foreign Ownership on Tax Avoidance.

This means that the higher foreign ownership indicates that the company's performance is good, thus attracting foreign investors to invest in the company. The greater the amount of share ownership in the company, the greater the control over company management. Foreign investors still dominate equity ownership in the Indonesian capital market.

Article 1 paragraph 8 of Law Number 25 of 2007 states that foreign capital is capital owned by foreign countries, individual foreign citizens and Indonesian Legal Entities whose capital is partly or wholly owned by foreign parties.

Previous research conducted by Kusbandiyah & Norwani (2018) shows that foreign ownership has a positive influence on tax avoidance practices. Based on the theoretical description and previous research:

H1: It is suspected that foreign ownership influences tax avoidance.

2. The Effect of Sales Growth on Tax Avoidance.

Sales growth in a company shows that the greater the sales volume, the greater the profit generated. Sales growth is considered as a comparison diagram of sales growth from year to year where current growth can show the improvement of a company which shows how big the company's capabilities are in terms of the level of success achieved within the company (Honggo & Marlinah, 2021). Research conducted by Juliana et al., (2020) and Ainniyya et al., (2021) states that sales growth has an influence on tax avoidance. Based on the theoretical description and previous research:

H2: It is suspected that sales growth has an influence on tax avoidance.

3. The Effect of Transfer Pricing on Tax Avoidance.

Transfer pricing is an attempt by multinational companies to reduce income tax by allocating company profits to subsidiaries that have a lower tax burden (Wibawa, 2019). Multinational companies are companies that operate (produce and sell goods or services) in more than one country. This company consists of a parent company located in its country of origin and has at least five or six affiliated/subsidiary companies (subsidiaries) abroad, typically with a high degree of interaction or interrelatedness between one company and another. others (Nuraini, & Marsono, 2014).

Research conducted by Wibawa (2019) entitled the influence of earnings management, profitability and transfer pricing on tax avoidance shows that earnings management and profitability do not have a significant influence, while transfer pricing has a significant influence on tax avoidance. Based on the theoretical description and previous research:

H3: It is suspected that transfer pricing has an influence on tax avoidance.

4. The Effect of Foreign Ownership, Sales Growth and Transfer Pricing on Tax Avoidance.

A plan designed to exploit tax flaws in order to lower the tax burden is known as tax avoidance (Rohendi & Darsita, 2022). Because it does not violate tax provisions, tax avoidance is an endeavor that taxpayers can carry out legally and safely. The strategies and tactics employed typically exploit flaws in the tax laws and regulations themselves in order to lower the amount of tax owed (Anggraeni & Oktaviani, 2021).

Foreign ownership is defined as individual foreign nationals, foreign corporations, and foreign governments that invest in the Republic of Indonesia's territory under Article 1 Number 6 of Law No. 25 of 2007. For a business, foreign ownership is crucial. The shift in sales in yearly financial reports, which might reveal the company's future prospects and profitability, is known as sales growth. Businesses can forecast how much profit will be made with the quantity of sales growth by applying sales growth metrics (Ainniyya et al., 2022).

Transfer pricing, which is the practice of shifting income from businesses in high-tax countries to other businesses in the same group in lower-tax countries in order to reduce the overall tax burden on the business, is frequently associated with bad things (abuse of transfer pricing) (Saragih et al., 2021). According to the government, transfer pricing reduces or even eliminates a nation's potential tax collection because of the income transfer.

Research conducted by (Nurrahmi et al., 2020) entitled the influence of business strategy, transfer pricing and political connections on tax avoidance. States that transfer pricing has a significant positive effect on tax avoidance. Based on the theoretical description and previous research:

H4: It is suspected that foreign ownership, sales growth and transfer pricing have an influence on tax avoidance.

According to (Sugiyono, 2019), a thinking framework is a conceptual model of how theory relates to various factors that have been identified as important problems. A good thinking framework will theoretically explain the relationship between the variables to be studied. So theoretically it is necessary to explain the relationship between independent and dependent variables. As for the theoretical basis and previous research described above, this framework of thought was formed. The independent variables in this research are foreign ownership, sales growth and transfer pricing and the dependent variable is tax avoidance. An overview of the thinking framework in this research is as follows:

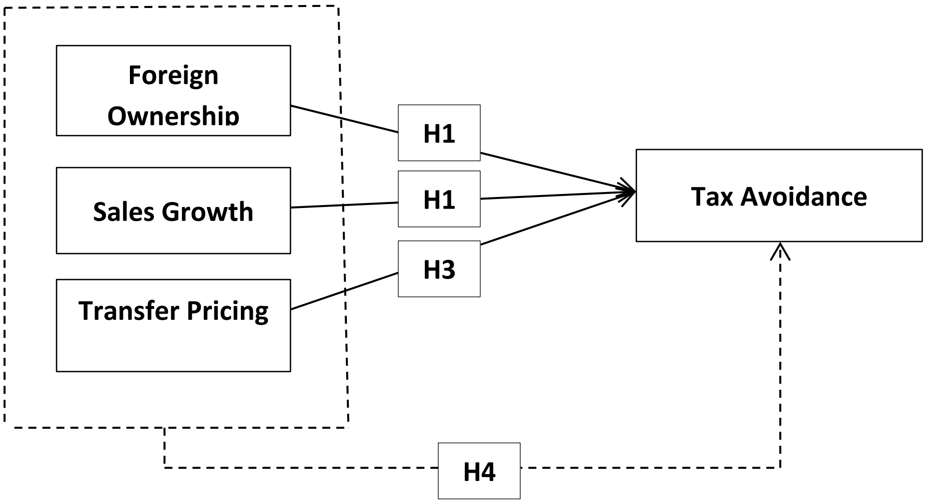

Figure 1. Conceptual Framework

METHODOLOGY

Quantitative research is what this kind of study is. V. Wiratna Sujarweni (2014:39) defines quantitative research as a kind of study that yields findings that can be attained (obtained) through the use of statistical techniques or other methods of quantification (measuring). Secondary data was employed in this study. Secondary data is a source of study information that researchers receive indirectly through intermediary media (obtained, for example, through other individuals or papers), according to Sugiyono (2020:194). This study examines how transfer pricing, sales growth, and foreign ownership affect tax evasion. The purpose of this study is to ascertain the influence and link between two or more variables. In order to ascertain the link between two or more variables, a quantitative research approach was adopted in this study.

Financial reports that were audited by every manufacturing business in the Consumer Non-Cyclicals sector listed on the Indonesia Stock Exchange (BEI) between 2018 and 2022 served as the type of data used in this study.

Operational Research Variables

Operational is a description of the variables the researcher has identified for the study. A variable, according to Sugiyono (2019: 67), is anything, in whatever form, that the researcher decides to study in order to gather data and draw conclusions. The dependent variable and the independent variable are the two variables in this study.

A dependent variable, also known as a dependent variable, is defined by Sugiyono (2019) as a variable that is affected by or results from the presence of an independent variable. In contrast, independent variables—also known as independent variables—are those that affect, contribute to, or cause changes in the dependent variable.

The following is each variable's operational definition: Tax avoidance (Y) is the dependent variable in this study, whereas foreign ownership (X1), sales growth (X2), and transfer pricing (X3) are the independent factors. In order to make this research more concentrated and to ensure that it stays within the parameters of the topic, the researcher will define each variable.

1. Dependent Variable (Y)

A dependent variable is a variable that can be interpreted as a variable that has a dependency or in other words is a variable that can be influenced or become a consequence related to the existence of an independent variable so that this variable is often referred to as a consequent variable, output and criterion of Sugiyono (2019). The dependent variable of this research is tax avoidance.

Tax avoidance is an avoidance effort carried out to reduce the amount of tax owed by exploiting the weaknesses contained in tax law. Avoiding tax payments is one of the legal options available to certain parties to avoid paying taxes without breaking the law. In this Tax Avoidance research, the Effective Tax Rate (ETR) ratio is used. The ETR in this study is the proxy used (Tanjaya & Nazir, 2021).

ETR = (Income Tax Expense) / (Profit Before Tax)

2. Independent Variable (X)

An independent variable is a variable that can be interpreted as a variable that can be a cause of change or that can influence the dependent variable (Sugiyono, 2019). The independent variable is measured and selected as a method used to determine the relationship between an observed symptom. The independent variables of this research are foreign ownership, sales growth and transfer pricing.

a. Foreign Ownership

Article 1 number 6 of Law No. 25 of 2007 declares that foreign ownership includes foreign governments, foreign corporations, and individual foreign nationals who invest in the Republic of Indonesia's territory (Ramadhan in Sissandy, 2014). Institutional and individual foreign ownership of a business is regarded as significant. This is due to the fact that foreign parties buying shares show that the business is growing steadily in terms of revenue, which makes it a standard for other investors to follow. According to Salihu et al. (2015), the following formula can be used to determine foreign ownership:

**Foreign Ownership = (Total shares owned by foreigners) /
(Shares outstanding)**

b. Sales Growth

Sales Growth is a ratio that describes a company's ability to grow in maintaining its economic position and the company's business sector (Aprianto & Dwimulyani, 2019: 4), a dance carried out by the company. Sales Growth is the difference between the number of sales for this period and the previous period compared to the sales of the previous period.

The more a company increases, the more profits it will make, which can cause the tax the company has to pay to become greater. This will certainly encourage companies to carry out tax management activities. High or stable sales growth can have a positive impact on company profits so that it becomes a consideration for company management in determining capital structure. Companies with high levels of sales growth will tend to use debt in their capital structure.

The sales growth ratio is used to measure a company's ability to increase its sales compared to the previous year. So companies that experience growth will survive in carrying out their business, Sales growth (Dyreng et al, 2010) can be measured with the following calculation:

Sales Growth = Sales (t) – Sales (t-1) / Sales (t-1)

c. Transfer Pricing

According to Mulyani et al. (2020), transfer pricing is a method used by businesses to decide on prices for the provision of goods, services, intangible assets, or financial transactions across divisions or, more specifically, between related parties. Because of the transfer of income, transfer pricing is thought to reduce or even eliminate a nation's prospective tax collection (Napitupulu et al., 2020).

A product or service exchange transaction between two distinct organizations within a company group is known as transfer pricing. According to the calculations employed, the exchange of goods between the buying and selling divisions inside the same organization is technically still in the same reporting entity, hence it cannot be considered transfer pricing (Tampubulon & Zulham, 2018). The total trade receivables from parties with a specific correlation are divided by the total trade receivables to determine transfer pricing practices (Panjalusman et al., 2018).

Transfer pricing = (Accounts Receivable from Related Parties) / (Total Receivables)

RESEARCH RESULT

A population, according to Sugiyono (2019), is a broad category made up of items or people with certain amounts and attributes chosen by researchers to be examined and from which conclusions are then made. According to this study, there are 114 manufacturing businesses in the consumer non-cyclical sector that are listed on the Indonesia Stock Exchange between 2018 and 2022. Sugiyono (2019) asserts that the sample reflects the size and makeup of the population. The purposive sampling method, which selects samples by establishing special criteria or taking into account particular features of the sample or research issue to be researched, was used in this study. Eleven manufacturing businesses in the consumer non-cyclical sector were selected using the purposive sample technique.

obtained which became the research samples as follows:

Table 1 Criteria Sampel

No.	Criteria	Violation of Criteria	Amount
1.	Consumer Non-Cyclicals sector manufacturing companies listed on the Indonesia Stock Exchange (BEI) during the research period from 2018-2022.		114
2.	Manufacturing companies in the Consumer Non-Cyclicals sector listed on the Indonesia Stock Exchange (BEI) which published annual reports or complete annual reports during the 2018-2022 research period.	(44)	70
3.	Consumer Non-Cyclicals sector manufacturing company that publishes financial reports in rupiah during the 2018-2022 period.	(1)	69
4.	Manufacturing companies in the Consumer Non-Cyclicals sector that did not experience losses during the 2018-2022 period.	(33)	36
5.	Consumer Non-Cyclicals sector manufacturing companies that have complete measurement variables in their financial reports for the 2018-2022 period.	(25)	11
Total Company Sample		11	
Research Period		5	
Total Observation Sample		55	

Based on Table 1, it can be seen that the population in the research for manufacturing companies in the Consumer Non-Cyclicals sector listed on the Indonesia Stock Exchange (BEI) during the 2018-2022 period was 114 companies. After carrying out sampling using the purposive sampling method, a sample of 11 companies that met the criteria during the 5 year research period was selected, resulting in 55 observation data.

Descriptive Statistical Analysis

The purpose of this descriptive analysis is to describe real and accurate data about events related to the phenomenon being studied systematically. Descriptive statistics are used to determine the description of data in terms of the average value (mean), maximum value, minimum value and standard deviation of the research variables. After carrying out descriptive analysis of the research that has been carried out, the following results were obtained with the help of eviews 9 software:

Table 2 Descriptive Statistics Test Results

	Y	KA	PP	TP
Mean	**0.237218**	**0.369945**	**0.078891**	**0.184073**
Median	0.242000	0.480000	0.080000	0.051000
Maximum	**0.334000**	**0.818000**	**0.504000**	**0.795000**
Minimum	**0.051000**	**0.001000**	**-0.465000**	**0.001000**
Std. Dev.	**0.045867**	**0.274362**	**0.162251**	**0.239849**
Skewness	-0.910565	-0.033183	-0.299794	1.262861
Kurtosis	6.706425	1.641442	4.769111	3.295527
Jarque-Bera	39.08231	4.239776	7.996220	14.81931
Probability	0.000000	0.120045	0.018350	0.000605
Sum	13.04700	20.34700	4.339000	10.12400
Sum Sq. Dev.	0.113603	4.064833	1.421563	3.106482
Observations	55	55	55	55

Panel Data Regression Model Analysis

Pairwise testing of the two panel data regression models, it can be concluded that this model was chosen in estimating panel data regression, namely:

Table 3 Panel Data Regression Model Testing

Based on Table 3, it can be concluded that testing the panel data regression model shows that the Common Effect Model is selected and can be used further in estimating the variables Foreign Ownership (X1), Sales Growth (X2), and Transfer Pricing (X3) on Tax Avoidance (Y). This technique uses the Common Effect Model which will estimate panel data and will allow for these variables to be interrelated between time and individuals.

Classical Assumption Test
Normality Test

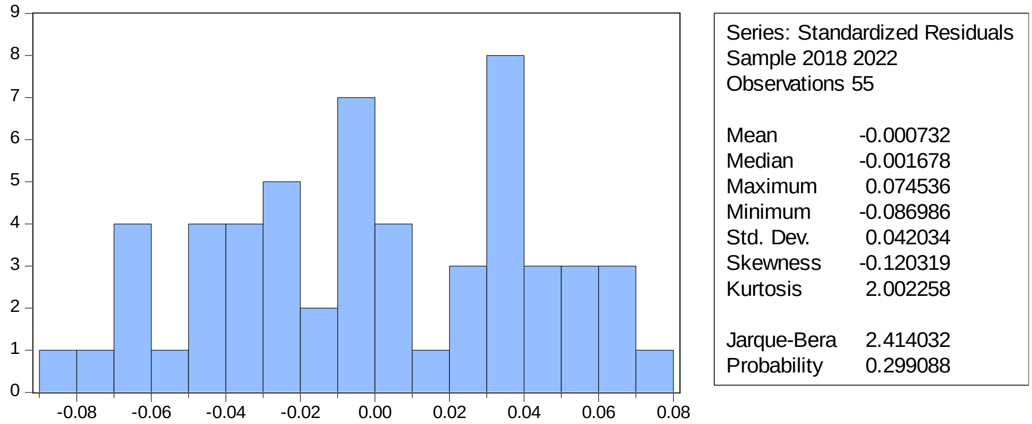

Figure 2 Normality Test Results

In Figure 2, The probability value displays a value of 0.299088, as can be observed. The assumption of normality is satisfied when the probability value is greater than 0.05, indicating that the data is regularly distributed.

Multicollinearity Test

Table 4 Multicollinearity Test

No	Metode	Testing	Results
1.	Test Chow	Common Effect Model vs Fixed Effect Model	Comman Effect Model
2.	Test Lagrange Multiplier	Common Effect Model vs Random Effect Model	Common Effect Model

	KA	PP	TP
KA	1.000000	**0.124784**	**-0.392643**
PP	**0.124784**	1.000000	**-0.054026**
TP	**-0.392643**	**-0.054026**	1.000000

Based on the table above, each of the test results shows that the coefficient value of each variable is <0.9, so it can be concluded that the data does not have multicollinearity problems.

Heteroscedasticity Test

Table 5 Heteroscedasticity Test

Heteroskedasticity Test: Glejser

F-statistic	1.126503	Prob. F(3,51)	0.3471
Obs*R-squared	3.418071	Prob. Chi-Square(3)	**0.3315**
Scaled explained SS	5.127138	Prob. Chi-Square(3)	0.1627

It is known that the Chi Square probability value in Obs*R-squared is 0.3315 > 0.05. So it can be concluded that there are no symptoms of heteroscedasticity.

Autocorrelation Test

Table 6 Autocorrelation Test

R-squared	0.593862	Mean dependent var	0.508762
Adjusted R-squared	0.569972	S.D. dependent var	0.390396
S.E. of regression	0.043259	Sum squared resid	0.095441
F-statistic	24.85772	Durbin-Watson stat	**1.436397**
Prob(F-statistic)	0.000000		

According to table 6's autocorrelation test results, the study's D-W values were 1.436797, falling within -2 and +2, indicating that there was no autocorrelation issue.

Hypothesis Testing
Determinant Coefficient Test (R2)

Table 7 Coefficient of Determination Test Results

R-squared	0.593862	Mean dependent var	0.508762
Adjusted R-squared	**0.569972**	S.D. dependent var	0.390396
S.E. of regression	0.043259	Sum squared resid	0.095441
F-statistic	24.85772	Durbin-Watson stat	1.436397
Prob(F-statistic)	0.000000		

The Adjusted R-squared value obtained was 0.569972. This indicates that the contribution of the independent variable to the dependent variable is 56.99% and 43.01% is explained by other variables not examined in this research.

Partial Hypothesis Testing Results (t)

Table 8 Partial Test Results (t)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.220633	0.007008	**31.48168**	**0.0000**
KA	0.053377	0.009923	**5.379065**	**0.0000**
PP	-0.045621	0.010280	**-4.437703**	**0.0000**
TP	0.012808	0.012151	**1.054100**	**0.2968**

1. The following conclusions can be made in light of the aforementioned findings:
   1. The foreign ownership variable in this study has an impact on capital structure, as indicated by the test findings from the panel data regression analysis above, which reveal that the foreign ownership t-statistic is 5.379065 > 2.00758 and the prob value is 0.0000 < 0.05. H1 in this investigation is therefore approved.
   2. Based on the test results from the panel data regression analysis above, it can be determined that tax avoidance has an impact on the sales growth variable in this study. The t-statistic value of sales growth is -4.437703 < 2.00758, and the prob value is 0.000 > 0.05. H2 in this investigation is therefore approved.

   The test results from the panel data regression analysis above show that the transfer pricing t-statistic value is 1.054100 < 2.00758 and the prob value is 0.2868 > 0.05, so it can be concluded that the transfer pricing variable in this study has no effect on capital structure. Thus, H3 in this study is rejected.

Simultaneous Test (F)

Table 9 Simultaneous Test Results (F)

R-squared	0.593862	Mean dependent var	0.508762
Adjusted R-squared	0.569972	S.D. dependent var	0.390396
S.E. of regression	0.043259	Sum squared resid	0.095441
F-statistic	**24.85772**	Durbin-Watson stat	1.436397
Prob(F-statistic)	**0.000000**		

F-value 24.85772 > Given that F table 2.55 and the prob(F-statistic) value of 0.000000 < 0.05, it can be said that H1 is accepted. This indicates that the independent factors in this study—foreign ownership, sales growth, and transfer pricing—all work together to prevent tax evasion.

DISCUSSION

1. The Effect of Foreign Ownership on Tax Avoidance.

Based on the T test (partial), the results obtained are the probability value of foreign ownership of 0.0000, where this value is smaller than the significance level of 0.05 (0.000 < 0.05), this means that H1 is accepted so it can be concluded that foreign ownership has a significant effect on tax avoidance. Foreign Ownership is a shareholding owned by foreign parties, both individuals and institutions, who acquire company shares in Indonesia. As according to (Alkurdi & Mardini, 2020) foreign ownership is an attractive resource for companies because foreign ownership can help monitor and improve company performance.

Foreign ownership is very important for a company. Because the presence of foreign investors indicates that the company is experiencing good growth, it attracts other investors to invest in the company. Foreign ownership is generally carried out by foreign citizens who choose to invest their capital in companies located in the Republic of Indonesia. The higher foreign ownership indicates that the company's performance is good, thus attracting foreign investors to invest in the company. The greater the amount of share ownership in the company, the greater the control over company management.

This research is in line with the results of research conducted by Kusbandiyah & Norwani (2018) which revealed that foreign ownership has a positive influence on tax avoidance.

2. The Effect of Sales Growth on Tax Avoidance.

H2 was accepted, indicating that sales growth had a negative impact on tax evasion, as shown by the T test (partial), which showed that the sales growth probability value of 0.0000 was less than the significance level of 0.05 (0.0000 < 0.05). Greater sales growth represents the amount of profit made during the current time and is a sign of the company's strong operating performance. Sales growth can be used to forecast future growth and is a measure of the success of expenditures made in the past (Hidayat, 2018).

Because rising sales growth affects the amount of tax due, it has an impact on the magnitude of the tax avoidance activity. Changes in total business sales can be used to gauge sales growth. Higher sales levels are a sign of growing profitability and reasonably strong sales growth for the company. The findings of this study are consistent with those of studies by Juliana et al. (2020) and Ainniyya et al. (2021), which found that tax avoidance is influenced by sales growth.

3. The Effect of Transfer Pricing on Tax Avoidance

Since the transfer pricing probability value of 0.2968 is higher than the significance level of 0.05 (0.2968 > 0.05), according to the partial T test, H3 is rejected, indicating that transfer pricing has no bearing on tax evasion. This clarifies that transfer pricing is a policy that the corporation actively implements to control the price of a transaction carried out by a party with a particular relationship. It is one aspect of tax planning that helps to lower the amount of taxes that must be paid. Increasing tax transparency can reduce tax avoidance activities, namely the use of transfer pricing schemes as an aggressive strategy. Tax audits that are rigorous and efficient in examining the validity of transfer pricing also support the prevention of companies avoiding taxes involving transfer price manipulation.

Furthermore, if the transfer price is fixed in a way that prevents it from adjusting to market value, the authorities have the power to reject or modify taxable revenue. Because transfer pricing encompasses customs difficulties, anti-dumping regulations, changes in the transfer of income, and changes in the tax base from one tax to another, it frequently faces challenges in the area of tax abuse (Rachmat, 2019).

This research is in line with the results of research conducted by Panjalusman et al., 2018) stating that transfer pricing has no effect on tax avoidance.

4. The Effect of Foreign Ownership, Sales Growth and Transfer Pricing on Tax Avoidance

The probability value (F-statistic) was 0.000000, which was below the significance level of 0.05 (0.000000 <0.05), based on the results of tests using the F test (simultaneous). This suggests that H4 is acceptable, and it may be inferred that transfer pricing, sales growth, and foreign ownership all simultaneously affect tax evasion. The Ftable value of 2.55 was less than the Fcount of 24.85772 (24.85772 > 2.55).

Some companies manipulate their tax situation to move profits to countries with reduced taxes. By doing this, firms can legitimately reduce their tax obligations, which would significantly affect their financial situation. As a result of this rule, business actors will find it more difficult to exploit transfer pricing as a means of tax avoidance (Afrianti et al., 2022).

The practice of tax avoidance is an effort to legally reduce tax debt that does not violate tax regulations and is carried out by taxpayers. Efforts to avoid tax legally because they do not conflict with tax provisions because the methods and techniques used exploit weaknesses to reduce the tax burden so that any factor including foreign ownership, sales growth and transfer pricing can become a loophole that can be sought in tax regulations that can be exploited. to reduce the tax burden paid. Because from the taxpayer's perspective, tax payments or contributions are a burden that can reduce the profits (profits) obtained so that tax avoidance efforts are carried out as an effort to reduce the tax burden paid.

This is in line with research conducted by Kusbandiyah & Norwani (2018), Ainniyya et al., (2021), and Wibawa (2019) which revealed that the results of research on foreign ownership, sales growth and transfer pricing have a simultaneous effect on tax avoidance.

CONCLUSIONS AND RECOMMENDATIONS

Based on the test results and discussion explained in the previous section, the test results show that:

1. Foreign ownership significantly affects tax avoidance in non-cyclical consumer sector manufacturing companies listed on the Indonesian Stock Exchange in 2018–2022, according to test results and the discussion in the previous section.
2. In non-cyclical consumer sector manufacturing companies listed on the Indonesia Stock Exchange between 2018 and 2022, tax avoidance is significantly impacted by sales growth.
3. In non-cyclical consumer sector manufacturing companies listed on the Indonesia Stock Exchange between 2018 and 2022, transfer pricing has no discernible impact on tax avoidance.
4. In non-cyclical consumer sector manufacturing companies listed on the Indonesia Stock Exchange between 2018 and 2022, tax avoidance is influenced concurrently by foreign ownership, sales growth, and transfer pricing.

ADVANCED RESEARCH

This study has limitations despite being performed and conducted in accordance with scientific processes. Specifically, it only employs four variables: transfer pricing, sales growth, foreign ownership, and tax evasion. Therefore, it is required to seek for additional variables that are not covered in this study.
2. The independent variable in this study only accounts for 58.08% of the influence on the dependent variable, whereas 41.92% is explained by research from previous studies.
3. Because of difficulties in acquiring public data, the study was restricted to the five years 2018–2022, making it unable to extrapolate the findings.
4. Small research sample; only businesses listed on the Indonesian Stock Exchange are the subject of this study. Next, Since the data is secondary, it might not accurately represent sales growth, foreign ownership, and transfer pricing in relation to tax evasion.

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