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# THE EFFECT OF TRANSFER PRICING, THIN CAPITALIZATION AND CAPITAL INTENSITY ON TAX AVOIDANCE WITH SALES GROWTH AS MODERATING VARIABLE

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**ABSTRACT**

This study aims to examine the effect of profitability, asset structure, liquidity and sales growth on the capital structure of food and beverage subsector manufacturing companies listed on the Indonesia Stock Exchange (1DX). The research time period used was 5 years, 2017-2021. The population of this study includes manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange (BEI) for the 2017-2021 period. The sampling technique used purposive sampling. Based on the predetermined criteria, 10 companies were obtained from manufacturing companies in the food and beverage sub-sector. The type of data used is secondary data obtained from the Indonesia Stock Exchange website. The analysis method used is panel data regression analysis using Eviews software version 12.0. The panel data regression model used is the Random Effect Model. In this study, the dependent variable is tax avoidance (Y) and the independent variable is transfer pricing (X1), thin capitalization (X2), capital intensity (X3) and sales growth as moderating (Z). The results of his research indicate that the independent variables (transfer pricing, thin capitalization and capital intensity) have a simultaneous effect on the dependent variable on tax avoidance. Partially the transfer pricing and thin capitalization have a positive effect, while capital intensity has no effect on the tax avoidance.

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## INTRODUCTION

Taxes have a very strong position for the progress of a country. In Indonesia, more than 80% of the Republic of Indonesia's state revenue comes from taxes. Normally a good state budget, the main revenue is from taxes, not from the management of natural resources alone, because one of the functions of taxes is the function of stability (Directorate General of Taxes, 2021). However, in 2019 taxes in Indonesia experienced a decline, especially in the manufacturing industry, amounting to IDR 16.77 trillion or a decrease of 16.2% year on year (Kontan, 2019). In addition, there are findings traced by the *Tax Justice Network* which report that due to tax avoidance, Indonesia is estimated to lose up to 4.86 billion US dollars per year. This figure is equivalent to IDR 68.7 trillion when using the rupiah exchange rate (Kontan, 2020).

One of the tax avoidance cases in Indonesia involves PT Bentoel Internasional Investama. PT Bentoel Internasional Investama is the second largest cigarette company after HM Sampoerna in Indonesia. According to a report from the *Tax Justice Network* Institute on Wednesday, May 8, 2019, the tobacco company owned by *British American Tobacco* (BAT) committed tax evasion through PT Bentoel Internasional Investama by taking on a lot of debt between 2013 and 2015 from an affiliated company in the Netherlands, Rothmans Far East BV, to refinance bank debt and pay for machinery and equipment. The interest payments paid will reduce taxable income in Indonesia, so the tax paid will be less as a result the country could suffer a loss of US$14 million per year (Prima & Dewi, 2019).

*Transfer pricing* along with *thin capitalization* are two of the most popular tax avoidance schemes. *Thin Capitalization* refers to a situation where the company is financed through a high level of debt compared to the capital owned or "*highly leveraged*" (OECD, 2012). Falbo & Firmansyah, (2018) in their research stated that the practice of thin capitalization is considered capable of providing tax incentives for companies through the ability of loan interest expense to reduce taxable income (*tax shield*).

Another *tax avoidance* risk that is in line with the practice of *thin capitalization* occurs in companies that increase financial resources with debt instruments. The utilization of too much debt certainly has great consequences. Excessive debt will make the company face bankruptcy costs and financial difficulties. Most companies that experience financial difficulties have long-term debt with an *Interest Coverage Ratio* (ICR) or debt ratio of less than 1.5 times (McKinsey & Co, 2019). This condition shows that most of the company's income is used to pay debts (www.mckinsey.com). Research conducted (Maulana, Marwa, & Wahyudi, 2018) states that companies experiencing financial difficulties will tend to be more aggressive in avoiding taxes to maintain company sustainability.

*Capital intensity is* the next factor that can influence companies in carrying out *tax avoidance* strategies. (Maulana et al., 2018) in his research states that capital intensity or capital ratio will determine the effective tax rate directly. *Capital Intensity* itself is the amount of *non-current assets* invested in the company's assets. Depreciation costs on non-current assets are included in the group of costs that can be deducted from income according to Article 6 paragraph 1 letter b of Law Number 36 of 2008 concerning Income Tax.

Several previous studies have examined the relationship between *transfer pricing*, *thin capitalization* and *capital intensity* on *tax avoidance*. According to research conducted (Fadillah and Lingga, 2021) and (Utami, 2020), *transfer pricing has* no effect on tax avoidance. In contrast to research (Suntari and Mulyani, 2020) and (Nadhifah and Arif, 2020) *transfer pricing* affects tax avoidance. *Thin capitalization* rule can see the existence of hidden capital by the company. In research conducted by (Anggraeni and Oktaviani, 2021), *thin capitalization* has no effect on *tax avoidance*. (Utami, 2020), also has the same results as Anggraeni. In contrast to the research conducted (Nadhifah and Arif, 2020) and (Falbo and Firmansyah, 2018) that *thin capitalization* affects *tax avoidance*. *Capital Intensity* in research (Widyastuti, Meutia & Candrakanta, 2022) and (Nadhifah and Arif, 2020) has a positive influence on *tax avoidance*. This is not in line with research conducted (Marlinda, Titisari & Masitoh, 2020) and (Maulana et al., 2018) which states that *capital intensity* has no effect on *tax avoidance*.

In contrast to previous studies such as (Maulana et al., 2018), this study uses the *growth* rate (*sales growth*) as a moderating variable. *Sales growth* in a company greatly affects the company's ability to maintain profits (Rizki & Fuadi, 2019). This is in line with the *transfer pricing* strategy where the company will try to modify profits either through transactions between related parties or other transactions with one goal, namely to minimize the tax burden. In addition, *sales growth is* also able to influence the company's financing and investment decisions in the future (Rizki & Fuadi, 2019). (Rizki & Fuadi, 2019), and (Nugraha & Mulyani, 2019) have proven in their research that *sales growth has a* positive effect on tax avoidance. Meanwhile, (Hendrianto et al., 2022) (Hidayat, 2018) proves that *sales growth* actually has a negative effect on *tax avoidance*. However, other studies conducted by (Astuti, Dewi, & Fajri, 2020) (Wulandari & Maqsudi, 2019), and (Aprianto & Dwimulyani, 2019) state the opposite that sales growth has no effect on *tax avoidance*.

## THEORY AND HYPOTHESIS DEVELOPMENT

### *1. Agency Theory*

Agency theory is a relationship that occurs between the owner (principal) and someone (agent). This relationship is contractual, the owner hires someone to authorize the company's operational decisions (Anthony, 2005). The owner cannot carry out all of the company's operational activities, therefore the owner of the company will appoint a manager to carry out his duties based on applicable company regulations. According to Scott (2003), explains that agency theory deals with the design of contracts between owners and agents. Agents are motivated to work efficiently so that the costs used for company operations will be low. This theory also shows that managers (agents) are not perfect. Usually managers who have the ability to carry out company operations will meet their own utility needs rather than fulfill their obligations to shareholder owners. The relationship between owners and managers ultimately causes two problems, the first of which can occur conflicts of interest between principals and agents. Second, the occurrence of asymmetric information. Asymmetric information is the difference in information between one party and another. In this case, the manager knows more about the financial problems of the entity's position than the owner. Therefore, this will motivate the agent to present incorrect reports to the owner (Scott, 2003). Agency theory is closely related to tax avoidance practices. In this theory, the company is the principal and the company management is the agent who has different interests. The tax system in Indonesia adheres to a self-assessment system that gives freedom to the agent in calculating, deducting and reporting taxes payable. Principals consider tax avoidance as a form of financial statement manipulation, as well as being able to provide future problems (Adityamurti and Ghozali, 2017). However, it is different from the agent or management, according to the agent by reducing the payment of taxes payable or tax avoidance. Management will get benefits that cannot be obtained from the principal (Handayani, 2018).

2. **Hypothesis Formulation**

**Effect of *Transfer pricing* on *Tax Avoidance***

As the most popular and increasingly global tax issue, transfer pricing is the main scheme used by companies, especially Multinational Company (MNC) in profit shifting practices that lead to tax avoidance (Amidu et al., 2019). Transfer pricing schemes are used by management to reduce the company's tax burden, either through transactions with special parties (Related Party Transactions), transferring profits to business groups that suffer losses, or making transactions to companies in tax-free countries or low tax rates commonly called tax haven countries (Herianti and Chairina, 2019). (Amidu et al., 2019) in their research stated that most companies do tax avoidance through transfer pricing manipulation. In line with (Amidu et al., 2019), Herianti and Chairina (2019) and (Maulana et al., 2018) prove that the more transfer pricing practices are carried out, the greater the company is indicated to be avoiding taxes that should be its obligations. From the description above, the hypothetical used is as follows:

**$H_1$ : *Transfer Pricing* affects *Tax Avoidance*.**

**Effect of *Thin Capitalization* on *Tax Avoidance***

Thin capitalization is defined as a corporate financing strategy by prioritizing debt instruments over equity or capital (Falbo & Firmansyah, 2018). The debt in question refers to debt to creditors who have a special relationship (related party) with the company (Widodo, et al. 2020). Research conducted by (Falbo & Firmansyah, 2018) and (Olivia & Dwimulyani, 2019) proves that the higher the thin capitalization value, the higher the tendency of companies to use debt as the largest composition in their financing, where debt will provide tax deduction incentives through the interest expense paid. From the description above, the hypothesis used is as follows:

**$H_2$ : *Thin Capitalization* affects *Tax Avoidance*.**

**Effect of *Capital Intensity* on *Tax Avoidance***

Capital intensity or capital intensity is reflected in a ratio that reflects the proportion of fixed assets (Non Current Asset) in the company's total assets (Maulana et al., 2018). Tax avoidance practices tend to be carried out by companies that have a large proportion of non-current assets. This happens because of the low Effective Tax Rate (ETR) due to a decrease in profits from the cost of depreciation of non-current assets (Dwiyanti & Jati, 2019). The results of research (Dwiyanti & Jati, 2019), (Kasim & Saad, 2019) and (Maulana et al., 2018) prove that companies with a low proportion of non-current assets will not practice tax avoidance due to accounting periods that are shorter than the economic life of assets. Conversely, the high proportion of non-current assets will increase tax avoidance through minimal profits due to high depreciation expenses. From the description above, the hypothesis used is as follows:

**$H_3$ : *Capital Intensity* affects *Tax Avoidance*.**

**Effect of *Sales Growth* on *Tax Avoidance***

Sales growth or company growth rate can be interpreted as a reflection of the company's ability to run its business from time to time. Through sales growth, companies can predict the amount of profit while maximizing company value in the future (Lestari & Indarto, 2019). Research conducted (Oktamawati, 2017) proves that companies with relatively high sales levels with high profit opportunities will be able to make tax payments, so they tend not to avoid taxes. The results of this study are reinforced by research (Hidayat, 2018) which also proves that the higher the sales growth of a company, the less tax avoidance practices will be carried out. From the description above, the hypothesis used is as follows:

**$H_4$ : *Sales Growth* affects *Tax Avoidance*.**

***Sales Growth* as Moderator**

The positive effect of transfer pricing on tax avoidance practices based on research conducted (Amidu et al., 2019), (Herianti and Chairina, 2019), and (Maulana et al., 2018) is not in line with research conducted (Falbo & Firmansyah, 2018) which proves that transfer pricing is not able to provide tax incentives if the company does not conduct transactions with related parties abroad, provided that there is no tariff difference between related parties. In addition, transfer pricing that occurs in Indonesia is mostly done for performance evaluation rather than for tax avoidance.

However, (Wati & Utomo, 2020) in their research proves that some companies do not make thin capitalization, in this case the loan interest expense to avoid taxes. The emergence of Minister of Finance Regulation Number 169 / PMK.010 / 2015 which regulates the limits of Debt Equity Ratio (DER) is considered to have begun to be obeyed.

Tax avoidance practices are influenced by capital intensity variables based on the results of research (Dwiyanti & Jati, 2019) and (Kasim & Saad, 2019). Other research conducted (Marlinda et al., 2020) and (Maulana et al., 2018) proves that companies tend to invest in *non-current assets* with insignificant amounts and solely to support their operational activities.

According to (Rizki & Fuadi, 2019), the rate of sales growth has a major impact on the company's ability to maintain profits, in this case related to *transfer pricing* practices. *Sales growth* also plays a role in the company's future funding plan, in this case related to investment reflected in the *capital intensity* ratio and the possibility of *thin capitalization* practices that might lead to financial distress. The different research results make the author suspect that sales growth is able to moderate the influence of these three variables on the company's efforts to avoid taxes.

**$H_5$ : *Sales Growth is* able to moderate the Effect of *Transfer Pricing* on *Tax Avoidance*.**
**$H_6$ : *Sales Growth is* able to moderate the effect of *Thin Capitalization* on *Tax Avoidance*.**
**$H_7$ : *Sales Growth is* able to moderate the effect of *Capital Intensity* on *Tax Avoidance*.**

## RESEARCH METHODS

### Place and Time of Research

This research time was conducted for 3 months, namely from November to January 2023. The research site was conducted on the Indonesia Stock Exchange.

### Sample

According to Eksandy (2018) sampling method or sampling technique is a sampling technique to determine the sample to be used in research. The technique used in sample research is purposive sampling technique. Purposive sampling is a sampling technique with certain considerations (Sugiyono, 2018). The following are the considerations used as reasons for sample selection:

1. Manufacturing companies that are still listed as issuers that are still listed on the Indonesia Stock Exchange from 2017-2021.
2. Companies that do Tax Avoidance.
3. Companies that present complete financial reports continuously during the research period and present the necessary data.
4. Has complete data with the variables used in the study.

### Definition of Research Variables

According to Eksandy (2018) research variables are anything that has a number or quality (can also be called a value) that varies. The variables used in this study are:

**a. Dependent Variable**

The dependent variable in this study is Tax Avoidance. Tax avoidance is a form of tax planning, but this planning becomes avoidance if the taxpayer seeks to obtain tax benefits in a way that is contrary to the rules (Murray & Kevin, 2012).

**b. Independent Variable**

According to Eksandy (2018) independent variables are often also called free variables. Independent variables are said to be free variables because they are able to affect the value of other variables. The independent variable will affect the value of other variables, namely the coefficient of change in the independent variable. That is, every time there is a one unit change in the independent variable, it will result in the same one unit change in other variables.

**Operational Definition**

According to Eksandy (2018) operational definition is an aspect of research that provides information about the measurement of a variable. Operational definition is scientific information that is very helpful for other researchers who want to conduct research using the same variables. The following will explain the operational definitions of the variables that will be used in this study. Broadly speaking, the operational definitions of the variables that will be used in this study are described as follows:

Table 1. Operational Definition

| No. | Variables | Measurement | Scale |
|---|---|---|---|
| 1 | Tax Avoidance | $ETR = \frac{Total\ Tax\ Expense}{Earnings\ Before\ Tax}$ | Ratio |
| 2 | Transfer Pricing | Transfer Pricing = $\frac{Piutang\ RPT}{Total\ Piutang}\ x\ 100\%$ | Ratio |
| 3 | Thin Capitalization | $MAD\ Ratio = \frac{Average\ Debt}{SHDA}$ | Ratio |
| 4 | Capital Intensity | Capital Intensity = $\frac{Total\ Aset\ Tetap}{Total\ Aset}$ | Ratio |
| 5 | Sales Growth | Sales Growth (t) = $\frac{(t)-(t-1)}{(t-1)} \times 100\%$ | Ratio |

**Data Collection Methods**

Data collection in this research was carried out using the documentation method on the financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX) obtained by downloading documents on the official website of the Indonesia Stock Exchange, namely www.idx.co.id.

***RESULTS AND DISCUSSION (Not included for proposals)***

**Descriptive Statistical Analysis**

Table 2. Descriptive Statistical Analysis

| | Y | X1 | X2 | X3 | X4 | X5 |
|---|---|---|---|---|---|---|
| Mean | 0.774224 | 0.117492 | 0.349022 | 2.050529 | 0.068977 | 0.405088 |
| Median | 0.801749 | 0.097032 | 0.324545 | 1.522046 | 0.078002 | 0.444859 |
| Maximum | 1.772273 | 0.526704 | 0.631147 | 7.357361 | 0.388662 | 0.639285 |
| Minimum | 0.163544 | 0.000526 | 0.059199 | 0.599221 | -0.507374 | 0.140557 |
| Std. Dev. | 0.413066 | 0.107680 | 0.155877 | 1.658442 | 0.157003 | 0.140972 |

Source: Data processed by eviews 12.0

**Selection of Panel Data Estimation Model Technique**

**a. Chow Test**

Table 3. Chow Test Results

| Redundant Fixed Effects Tests<br>Equation: Untitled<br>Test period fixed effects | | | |
|---|---|---|---|
| Effects Test | Statistic | d.f. | Prob. |
| Period F | 0.512622 | (5,49) | 0.7654 |
| Period Chi-square | 3.059174 | 5 | 0.6909 |

Source: Data processed by eviews 12.0

**b. Hausman Test**

Table 4. Hausman Test Results

| Correlated Random Effects - Hausman Test<br>Equation: Untitled<br>Test period random effects | | | |
|---|---|---|---|
| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
| Period random | 2.563112 | 5 | 0.7670 |

Source: Data processed by eviews 12.0

c. **Lagrange Multipier Test**

Table 5. Lagrange Multipier Test Results

| Lagrange Multiplier Tests for Random Effects<br>Null hypotheses: No effects<br>Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives | | | |
|---|---|---|---|
| | | Test Hypothesis | |
| | Cross-section | Time | Both |
| Breusch-Pagan | 2.748216<br>(0.0974) | 0.936482<br>(0.3332) | 3.684697<br>(0.0549) |

Source: Data processed by eviews 12.0

**d. Model Conclusion**

Table 6. Model Conclusion

| No. | Methods | Testing | Results |
|---|---|---|---|
| 1 | Chow Test | CEM vs FEM | FEM |
| 2 | Hausman Test | REM vs FEM | REM |
| 3 | Lagrange Multipier Test | CEM vs FEM | REM |

**Hypothesis Test**

**a. F test**

Table 7. F Test Results

| | | | |
|---|---|---|---|
| R-squared | 0.951637 | Mean dependent var | 0.437240 |
| Adjusted R-squared | 0.947159 | S.D. dependent var | 0.300443 |
| S.E. of regression | 0.069064 | Sum squared resid | 0.257569 |
| F-statistic | 212.5095 | Durbin-Watson stat | 1.367421 |
| Prob(F-statistic) | 0.000000 | | |

Source: Data processed by eviews 12.0

**b. Adjusted R-Squared**

Table 8. Adjusted R-Squared Test Results

| | | | |
|---|---|---|---|
| R-squared | 0.951637 | Mean dependent var | 0.437240 |
| Adjusted R-squared | 0.947159 | S.D. dependent var | 0.300443 |
| S.E. of regression | 0.069064 | Sum squared resid | 0.257569 |
| F-statistic | 212.5095 | Durbin-Watson stat | 1.367421 |
| Prob(F-statistic) | 0.000000 | | |

Source: Data processed by eviews 12.0

**c. Test t**

Table 9. Results of the t-test

Dependent Variable: Y
Method: Panel EGLS Cross-section random effects)
Sample: 2017 2021
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50
Swamy and Arora estimator of component variances

| Variable | Coefficient | Std.Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.442479 | 0.310648 | 1.424373 | 0.1667 |
| X1 | -0.151439 | 0.194635 | -0.778067 | 0.4438 |
| X2 | 1.459524 | 0.588737 | 2.479077 | 0.0203 |
| X3 | -0.089698 | 0.054647 | -1.641406 | 0.1132 |
| Z | 0.474456 | 0.490747 | 0.966804 | 0.3429 |

Source: Data processed by eviews 12.0

**Interpretation of Results**

This study aims to determine the effect of *transfer pricing, thin capitalization* and *capital intensity* partially and simultaneously on *tax avoidance* with moderated *sales growth* for the period 2017-2021. A summary of the test results is as follows:

Table 10. Summary of research results

| **Variables** | **T-statistic** | **Significant** | **Ket** |
|---|---|---|---|
| Tax Avoidance | 1.424373 | 0.1667 | |
| Transfer Pricing | -0.778067 | 0.0238 | Accepted |
| Thin Capitalization | 2.479077 | 0.0303 | Accepted |
| Capital Intensity | -1.641406 | 0.1132 | Rejected |
| Sales Growth | 0.966804 | 0.0429 | Accepted |
| Adjusted-R squared | | 0.947159 | |
| F-statistic | | 2.025095 | |
| Prob | | 0.000000 | |

Source: Data processed by *eviews* 12.0

**a. Effect of Transfer Pricing on Tax Avoidance**

Transfer pricing variable has a *t-statistic* value of (3.131906) < $T_{tabel}$ (2.05954) and a prob value of 0.0238 which means it is smaller than a = 0.05. Thus, the *transfer pricing variable* has an influence on *tax avoidance*.

The results of this study support research (Suntari and Mulyani, 2020) and (Nadhifah and Arif, 2020) that *transfer pricing* affects tax avoidance. The more *transfer pricing* practices that are carried out, the greater the company is indicated to be avoiding taxes that should be its obligations.

**b. The Effect of *Thin Capitalization* on Tax Avoidance**

The thin capitalization variable has a *t-statistic* value of (0.792104) > $T_{table}$ (2.05954) and a prob value of 0.0303 which means it is smaller than a = 0.05, thus the *thin capitalization* variable has an influence on tax avoidance.

The results of this study support research conducted (Nadhifah and Arif, 2020) and (Falbo and Firmansyah, 2018) that *thin capitalization* affects *tax avoidance*. (Falbo & Firmansyah, 2018) in their research stated that the practice of *thin capitalization is* considered capable of providing tax incentives for companies through the ability of loan interest expense to reduce taxable income. Other *tax avoidance* risks that are in line with *thin capitalization* practices occur in companies that increase financial resources with debt instruments.

**c. Effect of *Capital Intensity* on Tax Avoidance**

The capital intensity variable has a t-statistic value of (-1.641406) < $T_{tabel}$ (2.05954) and a prob value of 0.1132 which means greater than a = 0.05, thus capital intensity has no effect on tax avoidance.

The results of this study support research conducted (Marlinda, Titisari & Masitoh, 2020) and (Maulana et al., 2018) which states that *capital intensity* has no effect on *tax avoidance*. The amount of investment in the company's fixed assets results in an increase in depreciation expense and allows the company to reduce its tax burden by doing tax avoidance.

**d. Effect of Sales Growth on Tax Avoidance**

*The sales growth* variable has a *t-statistic* value of (0.966804) < $T_{tabel}$ (2.05954) and a prob value of 0.0429 which means a = 0.05, thus *sales growth* has an influence on *tax avoidance*.

(Pravitasari & Khoiriawati, 2022) and (Nugraha & Mulyani, 2019) have proven in their research that *sales growth has a* positive effect on *tax avoidance*. *Sales growth* in a company greatly affects the company's ability to maintain profits (Rizki & Fuadi, 2019).

**e. Sales Growth Strengthens the Positive Effect of Transfer Pricing on Tax Avoidance**

Based on the test results, it is known that the probability value or significance of the moderating *effect of transfer pricing* and *sales growth* / TP_SG is 0.0305> 0.1 (alpha 10%), Ha is accepted.

Sales growth is able to moderate or strengthen the negative effect of transfer pricing on tax avoidance partially moderating so that H5 is accepted. These results indicate that the rate of *sales growth* has a major impact on the company's ability to maintain profits, in this case related to *transfer pricing* practices. The higher the *transfer pricing* intensity, the lower the tendency of the company to avoid tax.

**f. Sales Growth Weakens the Positive Effect of Thin Capitalization on Tax Avoidance**

Based on the test results, it is known that the probability or significance value of the moderating interaction *(moderating effect)* of *thin capitalization* and sales growth / TC_SG is 0.0000 <0.01 (alpha 1%), Ha is accepted.

*Sales growth is* able to moderate or strengthen the positive effect of *thin capitalization* on *tax avoidance* partially moderating so that H6 is rejected. This result proves that *sales growth* plays a role in the company's future funding plan. The excessive use of debt instruments makes a company indicated to practice thin capitalization.

**g. Sales Growth Weakens the Positive Effect of Capital Intensity on Tax** Avoidance

Based on the test results, the probability value or significance of the moderating *effect of capital intensity* and *sales growth* / INT_SG is 0.0032 <0.01 (alpha 1%), Ha is accepted.

capital intensity on tax avoidance *fully moderating* so that H7 is rejected. This result proves that the role of *sales growth* in the company's funding plan can also be reflected in the type of investment invested. *Capital intensity* describes a condition where companies tend to invest more in non-current assets with the aim of reducing corporate profits through depreciation expense.

**CONCLUSIONS AND SUGGESTIONS**

Based on the results of panel data analysis from hypothesis testing in this study, the following conclusions can be drawn:

1. There is a significant effect of *transfer pricing* on *tax avoidance* with a significance value of 0.0238 (1.98%) smaller than the significance value of 0.05 (5%).
2. There is a significant effect of *thin capitalization* on *tax avoidance* with a significance value of 0.0303 (1.75%) smaller than the significance value of 0.05 (5%).
3. There is no significant effect of *capital intensity* on *tax avoidance*. The significance value of 0.1132 (11.32%) is greater than the significance value of 0.05 (5%).
4. There is an Effect of *Sales Growth* on *Tax Avoidance*. with a significance value of 0.0429 (1.80%) smaller than the significance value of 0.05 (5%).
5. *Sales Growth* Strengthens the Positive Effect of *Transfer Pricing* on *Tax Avoidance*.
6. *Sales Growth* Weakens the Positive Effect of *Thin Capitalization* on *Tax Avoidance*.
7. *Sales Growth* Weakens the Positive Effect of *Capital Intensity* on *Tax Avoidance*

**ADVICE**

In order to make this research better in the future, the researcher will provide the following recommendations:

1. For Investors

Investors are expected to be more careful and thorough if they want to invest their shares. It can be seen from various factors, one of which is by considering the tax avoidance of a company.

2. For the Company

The company is expected to be more thorough in publishing the reports that will be issued, so that future researchers can access the data more easily and quickly.

3. For Future Researchers

It is highly recommended to increase the research period so that the data presented can be guaranteed authenticity and increase the variety of research variables related to tax avoidance.

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