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The Effect of Transfer Pricing, Thin Capitalization, and Institutional Ownership on Tax Avoidance Moderated by Corporate Social Responsibility (CSR) in Plantation Sub-Sector Companies Listed on The Indonesia Stock Exchange for the 2020-2024 Period

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ABSTRACT

This study aims to analyze the effects of transfer pricing, thin capitalization, and institutional ownership on tax avoidance, with Corporate Social Responsibility (CSR) as a moderating variable, among companies in the plantation subsector listed on the Indonesia Stock Exchange during the 2020–2024 period. The background of this study is based on Indonesia's still-low tax ratio, which indicates the potential for tax avoidance by companies, particularly through financial strategies and corporate governance.

This study employs a quantitative approach using secondary data obtained from companies' annual reports and sustainability reports. The study population consists of plantation sub-sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period. The sample was selected using purposive sampling, resulting in 19 companies with a total of 95 panel data observations. The analysis techniques used include panel data regression and Moderated Regression Analysis (MRA) with the assistance of EViews 13 software.

The results of the study indicate that transfer pricing has a positive and significant effect on tax avoidance, whereas thin capitalization does not have a significant effect on tax avoidance. Institutional ownership has a negative and significant effect on tax avoidance. Furthermore, Corporate Social Responsibility (CSR) was found to mitigate the effects of transfer pricing and thin capitalization on tax avoidance, but it does not moderate the effect of institutional ownership on tax avoidance.

Keywords: *tax avoidance, transfer pricing, thin capitalization, institutional ownership, corporate social responsibility (CSR).*

1. INTRODUCTION

Taxes are positioned as the primary instrument of state revenue that determines the government's fiscal capacity to finance development and public services. Therefore, the optimization of tax revenue continues to be a strategic agenda through regulatory reforms, the provision of incentives, and the enhancement of taxpayer compliance (Khotimah & Tsani, 2025; Adilla et al., 2025). Nevertheless, tax revenue

achievements that exceed the target do not fully reflect the success of the taxation system. A more substantive measure of success lies in the state's ability to collect tax potential optimally and sustainably. In practice, tax revenue in Indonesia still faces various obstacles that prevent revenue realization from reaching its maximum potential (Valentyn & Oksana, 2024). Although tax revenue performance over the last five years has shown an increasing trend, it still indicates inefficiencies in the collection of state revenue from the taxation sector. This condition can be seen in the following table.

Table 1. Tax Revenue for the Period 2020–2024 (in Billion Rupiah)

Year	State Revenue	Tax Revenue Target	Realized Tax Revenue
2020	1.647.783,30	1.404.507,50	1.285.136,30
2021	2.011.347,10	1.444.541,60	1.547.841,10
2022	2.635.843,00	1.783.988,00	2.034.552,40
2023	2.783.929,70	2.021.223,70	2.154.208,20
2024	2.842.478,02	2.218.401,10	2.232.666,00

Source: Ministry of Finance (2025)

Based on Table 1.1, the realization of tax revenue in 2020 did not reach the predetermined target due to the economic slowdown caused by the COVID-19 pandemic. Meanwhile, during the 2021–2024 period, realized tax revenue consistently exceeded the annual targets. However, these achievements cannot yet be interpreted as comprehensive tax revenue optimization, as the accomplishment of revenue targets does not fully reflect the taxation system's capability to collect the country's overall tax potential. Indonesia recorded the lowest tax ratio at 10.1%. This figure is significantly lower than that of Thailand (21.3%) and Malaysia (16.8%), confirming that Indonesia's issue is not merely related to annual fluctuations, but rather reflects a structural problem within its taxation system. This condition indicates the existence of a tax capacity gap, namely the disparity between potential and realized tax revenue that has not yet been optimally collected. Such inefficiency becomes increasingly evident in the development of state revenue and tax revenue performance in 2025. Indonesia still faces obstacles in converting tax potential into actual revenue. The gap between targeted and realized tax revenue has drawn attention to the factors contributing to the suboptimal performance of tax collection, including tax avoidance practices carried out by large-scale corporations.

In an effort to reduce tax burdens, many companies choose to engage in tax avoidance because this practice is considered legally safer (Xu, 2025). Tax avoidance is carried out by exploiting loopholes or ambiguities in tax regulations without violating formal legal provisions. Although legally permissible, such practices are viewed as unfair from the government's perspective because they have the potential to reduce state revenue that should otherwise be collected. Tax avoidance reflects a company's response to the flexibility within tax regulations, which allows firms to select certain tax treatments in order to minimize tax liabilities without breaching applicable formal provisions (Nasir et al., 2025). This is what causes tax avoidance to potentially affect the quality of fiscal transparency, as information regarding a company's tax position does not fully reflect its actual economic capacity (Yuana et al., 2021). One of the mechanisms commonly employed by companies in implementing tax avoidance strategies is transfer pricing, namely the arrangement of prices in transactions with related parties aimed at reducing corporate tax burdens (Eukeria & Mpofu, 2024). Lesmana et al. (2025) as well as Adiguna and Ritonga (2024) found that price arrangements in related-party

transactions have a significant effect on tax avoidance, indicating that transfer pricing constitutes one of the primary strategies used by companies to minimize tax burdens.

In addition to transfer pricing, another mechanism frequently associated with tax avoidance practices is thin capitalization. Thin capitalization refers to a company's decision to finance its operational activities with a greater proportion of debt than equity (Njagi et al., 2025). The extensive use of debt gives rise to interest expenses, which may be recognized as deductible expenses that reduce taxable income. The larger the proportion of debt, the greater the deductible interest expenses, resulting in lower taxable profits and, consequently, reduced corporate tax obligations (Sinaga et al., 2023). Dividends are subject to taxation, whereas interest expenses may reduce taxable income. As a result, companies are encouraged to design capital structures with higher leverage levels in order to obtain tax savings. The findings of Xue and Yan (2025) as well as Faza and Taqi (2024) indicate that thin capitalization has a significant effect on tax avoidance. These findings suggest that debt-based financing structures, through the recognition of interest expenses as tax deductions, constitute a mechanism utilized by companies to reduce taxable profits. In addition to financial mechanisms, corporate governance factors may also influence a company's tendency to engage in tax avoidance (Yahaya, 2025). One important aspect of corporate governance is institutional ownership, which refers to share ownership held by institutions such as governments, insurance companies, banks, and foreign investors. Institutional investors possess stronger incentives and greater monitoring capacity to ensure that management makes decisions aligned with shareholders' interests (Fitriani et al., 2021; Kawitri & Ifada, 2025: Ratnasari & Nuswantara, 2020). To bridge the inconsistencies found in previous studies while simultaneously providing added value and novelty, this study incorporates Corporate Social Responsibility (CSR) as a moderating variable. CSR reflects a company's commitment to social legitimacy, reputation, and long-term sustainability. CSR activities may qualify as tax-deductible expenses under taxation regulations, provided that they comply with certain requirements and limitations (Putri & Mulyani, 2020). This condition indicates that CSR not only functions as a company's social activity, but also has the potential to influence corporate cost structures and taxation strategies. Furthermore, CSR reflects a company's effort to conduct business sustainably by considering stakeholders' interests as well as the social and environmental impacts of its operational activities (Pratiwi, 2022).

2. LITERATURE REVIEW

Agency Theory

Agency theory is a fundamental theory that explains the working relationship between the owners of capital (principals), namely shareholders or investors, and the parties authorized to manage the company (agents), namely managers (Lim et al., 2024). Based on the basic concept of agency theory, tax avoidance practices may be viewed as one of the consequences of conflicts of interest between principals and agents. Managers, who are responsible for the company's daily operations, possess more extensive, faster, and more detailed information regarding the company's condition compared to the owners. This imbalance of information creates information asymmetry, thereby providing opportunities for managers to make decisions that prioritize personal interests, including in the management of the company's tax burden.

Stakeholder Theory

Stakeholder theory explains that, in conducting its operational activities, a company is not only responsible to internal parties but also to external parties who have interests in the company (Awa et al., 2025). In this context, stakeholders include

shareholders, creditors, employees, suppliers, customers, governments, regulators, surrounding communities, and the environment. This theory emphasizes that companies must consider the needs and expectations of all parties affected by their activities in order to maintain legitimacy and operational sustainability (Komara et al., 2022).

Tax Avoidance

Tax avoidance has become an important issue in accounting and taxation because this practice directly affects the amount of state revenue (Hosain et al., 2024). Although conducted legally, tax avoidance is still viewed as an opportunistic action that exploits weaknesses in the taxation system to aggressively reduce corporate tax burdens (Huson et al., 2024). Within agency theory, such actions are considered a consequence of conflicts of interest between management (agents) and shareholders (principals). On the other hand, the government has an interest in securing tax revenue; consequently, tax avoidance is regarded as detrimental to the government's fiscal interests. Based on the various tax avoidance measurement proxies that have been discussed, this study employs the Effective Tax Rate (ETR) as the proxy for tax avoidance. The selection of ETR is based on the consideration that ETR provides a more stable and comprehensive representation of a company's tax burden compared to CETR, which is highly sensitive to differences in the timing of tax payments. The formula used to calculate the ETR is as follows:

$$\textbf{ETR} = \frac{\textbf{Tax Liability}}{\textbf{Profit Before Tax}}$$

Transfer Pricing

Generally, refers to a company's policy in determining the price of transactions between related parties (Komara et al., 2022). Transfer pricing tends to be arranged in an unreasonable manner that does not reflect the arm's length price, such as by increasing or decreasing prices (mark-up or mark-down). Such arrangements may involve marking up prices to increase costs within a particular entity or marking down prices to reduce revenue in another entity. A number of empirical studies indicate that transfer pricing is one of the important factors influencing a company's tendency to engage in tax avoidance. Research conducted by Lesmana et al. (2025) as well as Adiguna and Ritonga (2024) found that transfer pricing has a significant effect on tax avoidance. These findings reinforce the view that companies utilize related-party transactions as a means of managing profit allocation in order to reduce the tax burden that must be paid.

$$\textbf{Transfer Pricing} = \frac{\textbf{Receivables from Related Parties}}{\textbf{Total Receivables}}$$

Thin capitalization

Refers to the practice of establishing a company's capital structure by maximizing the use of debt while minimizing equity contributions. Indonesia has regulated thin capitalization through Article 18 paragraph (1) of the Income Tax Law (Undang-Undang Pajak Penghasilan/UU PPh), which grants the Minister of Finance the authority to determine the maximum debt-to-equity ratio for companies. This provision is further regulated under Minister of Finance Regulation (PMK) No. 169/PMK.010/2015, which stipulates a maximum debt-to-equity ratio of 4:1 (Togatorop & Tambunan, 2020). This ratio functions as a mechanism to suppress tax avoidance practices through the excessive recognition of interest expenses. A number of empirical studies indicate that thin capitalization is one of the important determinants encouraging companies to engage in tax avoidance. Xue and Yan (2025) as well as Faza and Taqi (2024) found that the use of debt-dominated financing

structures has a significant effect on tax avoidance. Based on the various thin capitalization measurement proxies that have been discussed, this study employs the Debt to Equity Ratio (DER) as a proxy for thin capitalization. The selection of DER as a proxy is based on the view that DER directly reflects a company's capital structure, namely the proportion between debt financing and equity financing. Furthermore, the use of DER is consistent with taxation regulations in Indonesia, which establish the maximum debt-to-equity ratio in relation to thin capitalization practices.

$$\textbf{DER} = \frac{\textbf{Total Debt}}{\textbf{Total Equity}}$$

Institutional Ownership

Institutional ownership refers to the ownership of a company's shares by professional institutions, such as insurance companies, investment firms, banks, pension funds, and other institutions that possess strong analytical capacity and monitoring capabilities. Institutional ownership is measured using the percentage of shares owned by institutional parties relative to the total outstanding shares of the company. Findings from previous studies conducted by Benkraiem et al. (2024) and Susilawati and Tarmidi (2024) demonstrate that institutional ownership has a significant effect on tax avoidance. These findings reflect that the presence of institutional investors, who possess stronger monitoring capabilities, can influence a company's strategic decisions, including its taxation policies. These findings are also consistent with the studies of Velte (2024) as well as Triyanto and Tarmidi (2024), which indicate that institutional ownership significantly affects corporate tax avoidance practices. Institutional ownership can be calculated using the following formula:

$$\textbf{Institutional Ownership} = \frac{\textbf{Number of Institutional Shareholdings}}{\textbf{Total Outstanding Share}}$$

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is a concept or action undertaken by a company as a form of corporate responsibility toward the social community and surrounding environment in which the company operates.Based on the various alternative proxies for measuring Corporate Social Responsibility (CSR), this study employs the Corporate Social Responsibility disclosure index based on the Global Reporting Initiative (GRI) Standards. The selection of this proxy is based on the consideration that CSR disclosure reflects a company's tangible and measurable commitment in implementing and communicating its social and environmental responsibilities to stakeholders.

CSRij= ∑Xij: Nj

Description:

CSRij = Corporate Social Responsibility Index of the company

∑Xij = Total score obtained by each company using a dummy variable measurement:

1 = if the item is disclosed

0 = if the item is not disclosed

Nj = Total number of disclosure items based on the GRI Standards criteria

Research Framework and Hypothesis

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

H2: Thin Capitalization has a positive effect on Tax Avoidance.

H3: Institutional Ownership has a negative effect on Tax Avoidance.

H4: Corporate Social Responsibility (CSR) weakens the positive effect of Transfer Pricing on Tax Avoidance.

H5: Corporate Social Responsibility (CSR) weakens the positive effect of Thin Capitalization on Tax Avoidance.

H6: Corporate Social Responsibility (CSR) strengthens the negative effect of Institutional Ownership on Tax Avoidance.

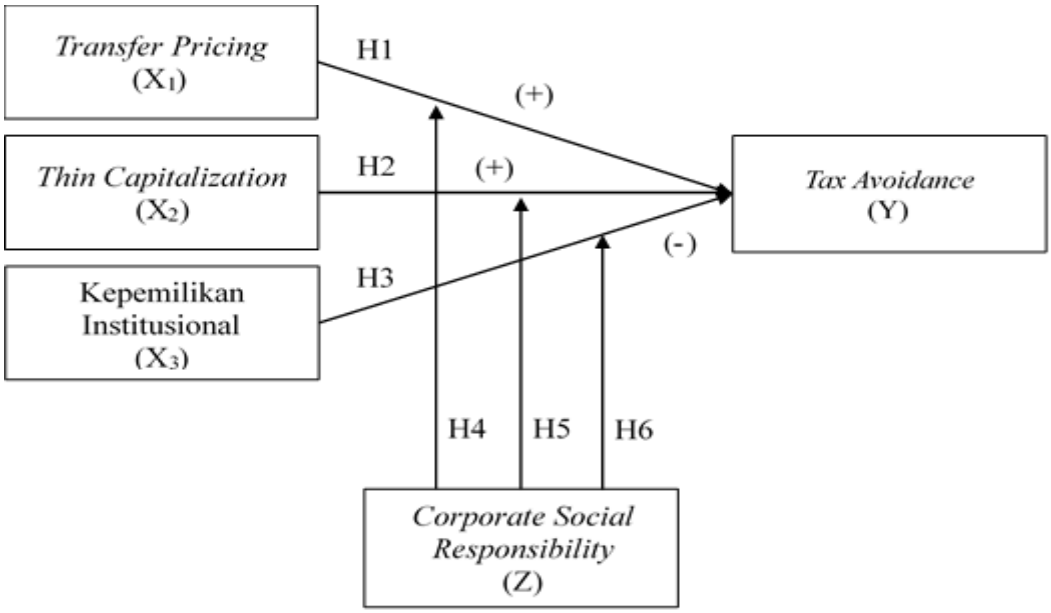

Figure 1: Research Framework

3. MATERIALS & METHODS

The research design employed in this study is a causal associative research design with a quantitative approach. The quantitative approach is utilized in this study to analyze and obtain a deeper understanding of the relationships among the variables examined (Sugiyono, 2022). This study uses transfer pricing, thin capitalization, and institutional ownership as the independent variables (variables affecting the dependent variable). In this study, the population consists of all plantation sub-sector companies listed on the Indonesia Stock Exchange, totaling 30 companies. After undergoing the selection process, 19 companies were identified as meeting all the criteria and were therefore considered eligible to be used as the research sample.

Statistical Analysis

1. Descriptive Statistical Analysis

Descriptive statistical analysis is used to provide an initial overview of the characteristics of the research data for each variable, namely Transfer Pricing (X_1), Thin Capitalization (X_2), Institutional Ownership (X_3), Corporate Social Responsibility (Z), and Tax Avoidance (Y).

2. Model Feasibility Test

The testing procedures conducted in determining the appropriate panel data model are as follows:

a. **Chow Test:** The Chow Test is conducted to determine whether the Common Effect Model (CEM) or the Fixed Effect Model (FEM) is more appropriate for the panel data regression analysis.
b. **Hausman Test:** The Hausman Test is a statistical test used to determine whether the Fixed Effect Model (FEM) or the Random Effect Model (REM) is more suitable for use in panel data regression.
c. **Lagrange Multiplier Test:** The Lagrange Multiplier Test is conducted to determine whether the Common Effect Model (CEM) or the Random Effect Model (REM) is more appropriate for panel data regression analysis.

3. Classical Assumption Test

The use of classical assumption tests in this study is adjusted to the selected panel data estimation model. Theoretically, classical assumption tests are mandatory when the selected model is the Common Effect Model (CEM) or the Fixed Effect Model (FEM), as both employ the Ordinary Least Squares (OLS) method. However, if the selected model is the Random Effect Model (REM), classical assumption tests, particularly heteroscedasticity and autocorrelation tests, are not required.The classical assumptions that must be fulfilled before conducting multiple regression analysis are as follows:

a. **Normality Test:** The normality test aims to determine whether each variable is normally distributed. This test is necessary because subsequent statistical testing assumes that the residual values follow a normal distribution.
b. **Multicollinearity Test:** In this study, the presence or absence of multicollinearity is detected by examining the Centered Variance Inflation Factor (VIF) values available in the estimation results generated by the EViews software.
c. **Heteroscedasticity Test:** Heteroscedasticity refers to a condition in which the disturbances appearing in the population regression function do not have constant variance.
d. **Autocorrelation Test:** Autocorrelation testing is conducted to determine whether there is a correlation among observation series arranged according to time or space.

4. Multiple Linear Regression Analysis of Panel Data

The data analysis method employed in this study is the panel data regression model, which is used to determine the extent to which the independent variables influence the dependent variable. This study examines the influence of four independent variables on one dependent variable.

5. Research Hypothesis Testing

a. **F-Test (Simultaneous Test):** The F-statistical test is basically used to determine whether all independent variables included in the model simultaneously influence the dependent variable.
b. **t-Test (Partial Test)**: The t-statistical test is basically used to determine the extent to which each independent variable individually or partially explains the variation in the dependent variable.
c. **Coefficient of Determination Test (R^2)**: The coefficient of determination (R^2) is a measurement used to determine the extent to which all independent variables explain the dependent variable. A low R^2 value indicates that the ability of the independent variables to explain the dependent variable is very limited. Conversely, a value approaching one indicates that the independent variables provide almost all the information needed to predict variations in the dependent variable.

6. Moderated Regression Analysis (MRA)

The moderating variable in this study is tested using interaction testing or Moderated Regression Analysis (MRA). MRA is an analytical method in multiple linear regression that incorporates interaction elements, namely the multiplication result between the independent variable and the moderating variable. This technique is used to determine whether the moderating variable strengthens or weakens the relationship between the independent variables and the dependent variable (Ghozali, 2020).

4. RESULT

1. Statistical Test Results

Table 2. Descriptive Statistics Results

	Y	X1	X2	X3	Z
Mean	0.204800	0.349926	1.772421	66.22347	0.616021
Median	0.230000	0.394000	0.936000	74.70000	0.675000
Maximum	0.678000	0.991000	29.31700	100.0000	0.897000
Minimum	-0.425000	0.000000	-2.198000	0.000000	0.274000
Std. Dev.	0.203341	0.340523	3.676228	24.57679	0.202034
Skewness	-0.795924	0.356776	5.290358	-1.413873	-0.266339
Kurtosis	4.577023	1.698999	36.80370	4.163650	1.598328
Jarque-Bera	19.87473	8.715304	4966.291	37.01131	8.900034
Probability	0.000048	0.012808	0.000000	0.000000	0.011678
Sum	19.45600	33.24300	168.3800	6291.230	58.52200
Sum Sq. Dev.	3.886663	10.89988	1270.378	56777.73	3.836864
Observations	95	95	95	95	95

Source: Processed data using the EViews software (2026)

Based on the table above, it can be observed that the tax avoidance variable (Y) in plantation sub-sector companies listed on the Indonesia Stock Exchange has an average (mean) value of 0.204800. The maximum value obtained is 0.678000, while the minimum value is -0.425000. The standard deviation for the tax avoidance variable is 0.203341, with a total of 95 observations used in this study. The average (mean) value of transfer pricing (X1) in plantation sub-sector companies listed on the Indonesia Stock Exchange is 0.349926. The maximum value obtained for this variable is 0.991000, while the minimum value is 0.000000. The standard deviation for transfer pricing is 0.340523, with a total of 95 observations. The thin capitalization variable (X2) in plantation sub-sector companies listed on the Indonesia Stock Exchange has an average (mean) value of 1.772421. The maximum value obtained for the thin capitalization variable is 29.31700, while the minimum value is -2.198000. The standard deviation of thin capitalization is 3.676228, with a total of 95 observations. The institutional ownership variable (X3) in plantation sub-sector companies listed on the Indonesia Stock Exchange has an average (mean) value of 66.22347. The maximum value obtained for the institutional ownership variable is 100.0000, while the minimum value is 0.000000. The standard deviation for the institutional ownership variable is 24.57679, with a total of 95 observations. The corporate social responsibility (Z) variable, which serves as the moderating variable, has an average (mean) value of 0.616021. The maximum value for this variable is 0.897000, while the minimum value is 0.274000. The standard deviation of the corporate social responsibility variable is 0.202034, with a total of 95 observations.

2. Estimation Model Selection Results

a. Chow Test Results

Based on the table, it can be observed that the probability value obtained from the Cross-section Chi-square test is 0.0000, which is smaller than 0.05 (< 0.05). Therefore, based on the Chow Test, the most appropriate model to be used is the Fixed Effect (FE) model rather than the Common Effect (CE) model.

Table 3. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	5.268712	(18,73)	0.0000
Cross-section Chi-square	79.090605	18	0.0000

Source: Processed data using the EViews software (2026)

b. Hausman Test Results

Based on the Hausman test results in this study, it can be identified that the P-value of the Cross-section Random is 0.2285, which is greater than 0.05 (0.2285 > 0.05). Therefore, H_0 is accepted, indicating that the Random Effect model is more appropriate than the Fixed Effect model for this study.

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.324433	3	0.2285

Source: Processed data using the EViews software (2026)

c. Lagrange Multiplier Test Results

Based on the results of the Lagrange Multiplier test in this study, it can be observed that the P-values of the Cross-section Breusch-Pagan, Honda, and King-Wu tests are all 0.0000, which is smaller than 0.05 (0.0000 < 0.05). Therefore, H_1 is accepted, indicating that the Random Effect model is the most appropriate method to be used in this study.

Table 5. Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	**Time**	**Both**
Breusch-Pagan	32.58165	1.645374	34.22702
	(0.0000)	(0.1996)	(0.0000)
Honda	5.708033	-1.282721	3.129168
	(0.0000)	(0.9002)	(0.0009)
King-Wu	5.708033	-1.282721	1.273648
	(0.0000)	(0.9002)	(0.1014)

Source: Processed data using the EViews software (2026)

3. Classical Assumption Test Results

Based on the test results that have been conducted, the Chow Test indicated that the Fixed Effect (FE) model was better than the Common Effect (CE) model. Furthermore, the Hausman Test results showed that the Random Effect (RE) model was more appropriate than the Fixed Effect (FE) model. This finding was reinforced by the results of the Lagrange Multiplier Test, which demonstrated that the Random Effect model was also superior to the Common Effect model. Therefore, the results of these three tests consistently indicate that the best estimation method to be used in this study is the Random Effect (RE) model. Since the selected model is the Random Effect model, classical assumption testing, particularly the heteroscedasticity and autocorrelation tests, is not required. Based on the multicollinearity test results presented in the table above, the Centered Variance Inflation Factor (VIF) values for each independent variable are as follows: transfer pricing = 1.029371, thin capitalization = 1.040464, and institutional ownership = 1.016825. As all Centered VIF values are below 10, it can be concluded that there is no multicollinearity problem in this research model. In other words, there is no strong linear relationship among the independent variables, indicating that the regression model is appropriate for further analysis.

Table 6. Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.003329	9.917695	
X1	0.003011	2.127939	1.029371
X2	2.61E-05	1.284893	1.040464
X3	5.71E-07	8.478147	1.016825

Source: Processed data using the EViews software (2026)

4. Research Hypothesis Testing

a. Panel Data Regression

Based on the panel data regression results, the multiple linear regression equation can be formulated as follows:

Y=0.1075−0.2388X1−0.0076X2+0.0029X3Y = 0.1075 - 0.2388X_1 - 0.0076X_2 + 0.0029X_3Y=0.1075−0.2388X1−0.0076X2+0.0029X3

Table 7. Panel Data Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.107521	0.093479	1.150213	0.2531
X1	-0.238773	0.084852	-2.813985	0.0060
X2	-0.007604	0.005166	-1.471935	0.1445
X3	0.002934	0.001210	2.425213	0.0173

Source: Processed data using the EViews software (2026)

The equation can be interpreted as follows:

- The constant value (a)=0.1075(a) = 0.1075(a)=0.1075 indicates that when all independent variables are equal to zero, the tax avoidance variable (Y)(Y)(Y) will have a value of 0.1075.
- The transfer pricing coefficient (X1) =−0.2388(X_1) = -0.2388(X1) =−0.2388 indicates that if transfer pricing increases by one unit, the ETR value will decrease by 0.2388. Since ETR is used as an indicator of tax avoidance in this study, a decrease in ETR reflects an increase in tax avoidance. Therefore, transfer pricing has a positive effect on tax avoidance.
- The thin capitalization coefficient (X2) =−0.0076(X_2) = -0.0076(X2) =−0.0076 indicates that if thin capitalization increases by one unit, the ETR value will decrease by 0.0076. This decrease in ETR indicates an increase in tax avoidance. Thus, thin capitalization also has a positive effect on tax avoidance.
- The institutional ownership coefficient (X3) =0.0029(X_3) = 0.0029(X3) =0.0029 indicates that if institutional ownership increases by one unit, the ETR value will increase by 0.0029. Since an increase in ETR reflects a decrease in tax avoidance, it can be concluded that institutional ownership has a negative effect on tax avoidance.

b. Simultaneous Test (F-Test)

The simultaneous test results in this study show that the Prob. F-Statistic value is 0.002191, which is smaller than 0.05. This result indicates that all independent variables simultaneously have a significant effect on the dependent variable, namely tax avoidance. To determine which independent variables significantly influence tax avoidance individually, the t-test (partial test) was conducted.

Table 8. Simultaneous Test (F-Test)

	Weighted Statistics		
R-squared	0.147507	Mean dependent var	0.084867
Adjusted R-squared	0.119403	S.D. dependent var	0.141128
S.E. of regression	0.132435	Sum squared resid	1.596050
F-statistic	5.248577	Durbin-Watson stat	1.415024
Prob(F-statistic)	0.002191		

Source: Processed data using the EViews software (2026)

c. Partial Test (t-Test)

Table 9. Partial Test (t-Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.107521	0.093479	1.150213	0.2531
X1	-0.238773	0.084852	-2.813985	0.0060
X2	-0.007604	0.005166	-1.471935	0.1445
X3	0.002934	0.001210	2.425213	0.0173

Source: Processed data using the EViews software (2026)

The t-test results indicate that transfer pricing and institutional ownership partially have a significant effect on tax avoidance. Meanwhile, thin capitalization does not have a significant effect on tax avoidance. A more detailed explanation is as follows:

- Transfer Pricing has a regression coefficient value of -0.2388 with a significance value of 0.0060. Since the significance value of 0.0060 is smaller than 0.05, it can be concluded that transfer pricing partially has a positive and significant effect on tax avoidance. This means that an increase in transfer pricing practices will be followed by an increase in tax avoidance activities.
- Thin Capitalization has a regression coefficient value of -0.0076 with a significance value of 0.1445. Since the significance value of 0.1445 is greater than 0.05, it can be concluded that thin capitalization partially does not have a significant effect on tax avoidance in the plantation sub-sector companies examined in this study.
- Institutional Ownership has a regression coefficient value of 0.0029 with a significance value of 0.0173. Since the significance value of 0.0173 is smaller than 0.05, it can be concluded that institutional ownership partially has a negative and significant effect on tax avoidance. The negative coefficient direction indicates that the higher the level of institutional ownership, the lower the tendency of the company to engage in tax avoidance practices.

d. Coefficient of Determination Test (R^2)

Table 10. Coefficient of Determination Test (R^2)

	Weighted Statistics		
R-squared	0.147507	Mean dependent var	0.084867
Adjusted R-squared	0.119403	S.D. dependent var	0.141128
S.E. of regression	0.132435	Sum squared resid	1.596050
F-statistic	5.248577	Durbin-Watson stat	1.415024
Prob(F-statistic)	0.002191		

Source: Processed data using the EViews software (2026)

The R-squared value obtained in this research model is 0.1475. This indicates that 0.1475 or 14.75% of the variation in tax avoidance among plantation sub-sector companies listed on the Indonesia Stock Exchange can be explained by the independent variables used in this study, namely transfer pricing, thin capitalization, and institutional ownership. The remaining 85.25% is explained by other variables or factors outside the scope of this research model.

e. Moderating Test

Table 11. Moderating Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.111132	0.164946	0.673748	0.5023
X1	0.206981	0.223619	0.925598	0.3572
X2	-0.093890	0.038954	-2.410298	0.0180
X3	0.000820	0.002208	0.371260	0.7113

Z	-0.066826	0.265602	-0.251601	0.8019
X1*Z	-0.705976	0.348337	-2.026707	0.0458
X2*Z	0.112270	0.050654	2.216428	0.0293
X3*Z	0.004347	0.003605	1.205838	0.2311

Source: Processed data using the EViews software (2026)

Based on the test results, the interactions between the moderating variable, namely corporate social responsibility, and each independent variable transfer pricing, thin capitalization, and institutional ownership—on tax avoidance can be explained as follows:

- X1∗ZX_1 * ZX1∗Z, which represents the interaction between corporate social responsibility and transfer pricing, has a significance value of 0.0458, which is smaller than 0.05. This result indicates that corporate social responsibility is proven to moderate the effect of transfer pricing on tax avoidance in plantation sub-sector companies listed on the Indonesia Stock Exchange.
- X2∗ZX_2 * ZX2∗Z, which represents the interaction between corporate social responsibility and thin capitalization, has a significance value of 0.0293, which is smaller than 0.05. This result indicates that corporate social responsibility is proven to moderate the effect of thin capitalization on tax avoidance in plantation sub-sector companies listed on the Indonesia Stock Exchange.
- X3∗ZX_3 * ZX3∗Z, which represents the interaction between corporate social responsibility and institutional ownership, has a significance value of 0.2311, which is greater than 0.05. This result indicates that corporate social responsibility is not proven to moderate the effect of institutional ownership on tax avoidance in plantation sub-sector companies listed on the Indonesia Stock Exchange.

5. DISCUSSION

The Effect of Transfer Pricing on Tax Avoidance

The results of this study indicate that transfer pricing partially has a positive and significant effect on tax avoidance in plantation sub-sector companies listed on the Indonesia Stock Exchange. Therefore, H1 is accepted. Theoretically, transfer pricing is an internal corporate policy in determining prices for transactions of goods, services, and intangible assets among entities within the same business group. In the plantation industry, this practice is commonly manifested through the sale of commodities such as Crude Palm Oil (CPO) to subsidiaries, parent companies, or affiliated entities.This phenomenon can be explained through Agency Theory. In modern corporate structures, there is a separation between owners (principals) and managers (agents). Agency conflict arises when managers have personal incentives to present higher financial performance, one of which is by minimizing tax expenses to increase reported net income. Managers exploit information asymmetry to design complex intra-group transactions. In plantation companies in Indonesia, the high proportion of related-party receivables may indicate intensive related-party transactions. These findings empirically support the studies by Lesmana et al. (2025) and Adiguna and Ritonga (2024), which state that transfer pricing is a key determinant of tax avoidance. This result is also consistent with Maulana (2024) and Nurdiansyah (2023), who similarly found that transfer pricing has a positive and significant effect on tax avoidance.

The Effect of Thin Capitalization on Tax Avoidance

The results show that thin capitalization partially has no significant effect on tax avoidance in plantation sub-sector companies listed on the Indonesia Stock Exchange. Therefore, H2 is rejected. Thin capitalization refers to a capital structure condition in which a company finances its

assets and operations with a significantly higher proportion of debt compared to equity. The theoretical basis of this variable lies in the tax shield mechanism through interest expense deductions. From a fiscal perspective, interest expenses are deductible expenses, while dividend distributions are not tax-deductible. From Agency Theory, capital structure policy reflects managerial opportunism. Information asymmetry between managers, shareholders, and tax authorities creates opportunities for managers to manipulate financing structures to achieve performance targets. In addition, the operational characteristics of the plantation sector also explain this finding. Plantation companies require large long-term investments, particularly for land clearing and plantation development until productive stages are reached. This result is consistent with Fitria et al. (2024), Rusydi and Wibisono (2025), and Nadianti and Asrorudin (2025), who found that thin capitalization does not significantly affect tax avoidance.

The Effect of Institutional Ownership on Tax Avoidance

The results indicate that institutional ownership has a negative and significant effect on tax avoidance. Therefore, H3 is accepted. Institutional ownership refers to the proportion of company shares owned by professional institutional investors outside individual ownership. A higher level of institutional ownership increases monitoring pressure on management, thereby limiting opportunistic behavior, including tax avoidance practices. Agency Theory positions institutional ownership as an effective monitoring mechanism that aligns the interests of agents and principals. Managers may engage in moral hazard through aggressive tax planning to increase short-term performance and personal incentives. However, institutional investors strengthen governance mechanisms that restrict such behavior. In plantation companies, strict regulatory oversight related to land concessions and natural resources further strengthens this effect. These findings are consistent with Susilawati and Tarmidi (2024), Velte (2024), and Triyanto and Tarmidi (2024), which show that institutional ownership reduces tax avoidance practices.

CSR Moderating the Effect of Transfer Pricing on Tax Avoidance

The results show that CSR significantly moderates the relationship between transfer pricing and tax avoidance. Therefore, H4 is accepted. CSR weakens the positive effect of transfer pricing on tax avoidance. Stakeholder Theory explains that companies depend on the support of various stakeholders, and tax payments represent a form of social contribution. Companies with high CSR disclosure tend to avoid aggressive transfer pricing practices due to reputational concerns and ethical considerations. CSR also functions as reputational risk management. In plantation industries, which are closely monitored by environmental regulators and activists, maintaining a positive corporate image is essential. These findings support Marlina (2024), which shows that CSR mitigates the impact of transfer pricing on tax avoidance.

CSR Moderating the Effect of Thin Capitalization on Tax Avoidance

The results indicate that CSR significantly moderates the relationship between thin capitalization and tax avoidance. Therefore, H5 is accepted. CSR weakens the effect of thin capitalization on tax avoidance. From Stakeholder Theory, companies are expected to balance the interests of shareholders and broader stakeholders, including the government and society. Tax payments represent a fundamental form of social contribution. Companies with strong CSR commitment tend to perceive aggressive debt-based tax planning as inconsistent with social responsibility values. This finding supports Pratiwi (2022), which states that

CSR weakens the relationship between thin capitalization and tax aggressiveness.

CSR Moderating the Effect of Institutional Ownership on Tax Avoidance

The results show that CSR does not significantly moderate the relationship between institutional ownership and tax avoidance. Therefore, H6 is rejected. Institutional ownership functions as an external monitoring mechanism that constrains managerial opportunism, while CSR represents corporate commitment to transparency and sustainability. However, in the plantation sector, CSR activities are often mandatory and routine due to regulatory requirements, reducing their effectiveness as a discretionary moderating variable. This indicates a separation between CSR disclosure and tax planning strategies. The finding contradicts Fitriani et al. (2021), which found that CSR strengthens the governance effect of institutional monitoring on tax aggressiveness.

6. CONCLUSION

Based on the results of the research and the discussion presented in the previous chapter, several conclusions can be drawn in this study as follows:

1. Transfer pricing has a positive and significant effect on tax avoidance.
2. Thin capitalization has no significant effect on tax avoidance.
3. Institutional ownership has a negative and significant effect on tax avoidance.
4. CSR weakens the effect of transfer pricing on tax avoidance.
5. CSR weakens the effect of thin capitalization on tax avoidance.
6. CSR does not moderate the effect of institutional ownership on tax avoidance.

6.1 Research Limitations

1. The independent variables are limited to transfer pricing, thin capitalization, and institutional ownership.
2. The study is limited to plantation sub-sector companies listed on the Indonesia Stock Exchange during 2020–2024.
3. The measurement approaches used may differ from other studies, leading to potential variations in results.

6.2 Suggestions

1. Companies are encouraged to improve transparency in financial reporting to maintain credibility among regulators and investors. Institutional ownership supervision should also be strengthened as an effective external monitoring mechanism to reduce opportunistic tax avoidance behavior.
2. CSR disclosure should be utilized as a foundation for strengthening accountability to stakeholders. Integration of social and environmental dimensions is expected to reduce reputational risk and encourage sustainable tax strategies aligned with good corporate governance.
3. Future research is recommended to include additional variables that are theoretically and empirically relevant to tax avoidance beyond those used in this study.

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