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MULTINATIONAL CORPORATE TAX AVOIDANCE IN INDONESIA

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ARTICLE INFO	ABSTRACT
Article history:	Purpose: This study aims to examine and analyze the effect of foreign ownership, foreign directors, transfer pricing, and multinational corporation on tax avoidance.
Received 06 January 2023	Design/methodology/approach: The population of this study is multinational corporations listed on the Indonesia Stock Exchange for the period 2016-2019. Using the purposive sampling technique, the sample obtained according to the criteria is 280 observations. Data analysis was using eviews 9 software based on panel data.
Accepted 01 March 2023	Findings: The results showed that foreign ownership had no significant effect on tax avoidance. Furthermore, foreign directors have no significant effect on tax avoidance. Likewise, transfer pricing as a proxy for related parties transactions also has no significant effect on tax avoidance. In contrast, the multinational corporation positively and significantly affects tax avoidance.
Keywords:	Research, Practical & Social implications: Foreign ownership, foreign director, and transfer pricing become the primary basis factors for tax avoidance of multinational corporations in Indonesia.
Foreign Ownership; Foreign Director; Transfer Pricing; Multinational Corporation; Tax Avoidance.	Originality/value: This study provides an academic contribution regarding the factors that influence tax avoidance by multinational corporations.
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EVASÃO FISCAL DE EMPRESAS MULTINACIONAIS NA INDONÉSIA

RESUMO

Objetivo: Este estudo visa examinar e analisar o efeito da propriedade estrangeira, diretores estrangeiros, preços de transferência e empresas multinacionais na evasão fiscal.

Desenho/método/abordagem: A população deste estudo é de empresas multinacionais listadas na Bolsa de Valores da Indonésia para o período 2016-2019. Usando a técnica de amostragem proposital, a amostra obtida de acordo com os critérios é de 280 observações. A análise de dados foi feita utilizando o software eviews 9 baseado em dados de painel.

Conclusões: Os resultados mostraram que a propriedade estrangeira não teve efeito significativo na evasão fiscal. Além disso, os diretores estrangeiros não têm efeito significativo sobre a evasão de impostos. Da mesma forma, os preços de transferência como um proxy para transações com partes relacionadas também não têm efeito significativo sobre a evasão fiscal. Em contraste, a empresa multinacional afeta positiva e significativamente a evasão fiscal.

Pesquisa, implicações práticas e sociais: A propriedade estrangeira, o diretor estrangeiro e os preços de transferência tornam-se os principais fatores de base para a evasão fiscal das empresas multinacionais na Indonésia.

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Originalidade/valor: Este estudo oferece uma contribuição acadêmica a respeito dos fatores que influenciam a evasão fiscal por parte das corporações multinacionais.

Palavras-chave: Propriedade Estrangeira, Diretor Estrangeiro, Preços de Transferência, Corporação Multinacional, Evasão Fiscal.

ELUSIÓN FISCAL DE LAS EMPRESAS MULTINACIONALES EN INDONESIA

RESUMEN

Propósito: Este estudio pretende examinar y analizar el efecto de la propiedad extranjera, los directores extranjeros, los precios de transferencia y la empresa multinacional en la elusión fiscal.

Diseño/metodología/enfoque: La población de este estudio son las corporaciones multinacionales que cotizan en la Bolsa de Indonesia para el período 2016-2019. Utilizando la técnica de muestreo intencional, la muestra obtenida según los criterios es de 280 observaciones. El análisis de datos fue utilizando el software eviews 9 basado en datos de panel.

Resultados: Los resultados mostraron que la propiedad extranjera no tiene un efecto significativo sobre la elusión fiscal. Además, los consejeros extranjeros no tienen un efecto significativo en la elusión fiscal. Del mismo modo, los precios de transferencia como indicador de las transacciones con partes vinculadas tampoco tienen un efecto significativo en la elusión fiscal. En cambio, la empresa multinacional afecta positiva y significativamente a la elusión fiscal.

Investigación, implicaciones prácticas y sociales: La propiedad extranjera, el director extranjero y los precios de transferencia se convierten en los principales factores base de la elusión fiscal de las empresas multinacionales en Indonesia.

Originalidad/valor: Este estudio aporta una contribución académica sobre los factores que influyen en la elusión fiscal de las empresas multinacionales.

Palabras clave: Propiedad Extranjera, Director Extranjero, Precios de Transferencia, Empresa Multinacional, Elusión Fiscal.

INTRODUCTION

Tax is the most significant income for supporting the budget in state financing. Taxpayers are required to comply with tax payments because the nature of taxes is coercive. Tax avoidance is unique and exciting to be explained and investigated. Companies do tax avoidance to generate maximum profits, while the government wants to receive high taxes as a source of state revenue (Oktaviani, 2019). The tax ratio can know tax performance. In 2016, Indonesia's tax ratio reached 10.8% and decreased by 0.1% in 2017. In 2018 the tax ratio increased significantly to 11.4% and decreased again in 2019 by 0.3% to 11.1%. A low tax ratio illustrates that taxpayers have low awareness of tax payments.

The phenomenon of tax avoidance has become a global issue. The Tax Justice Network (TJN) report states that there is an increase in the potential lost revenue due to tax abuse by multinational corporations by around 40% (DDTCNews, 2021). This also happens to multinational corporations operating in Indonesia. With the agreement on the two pillars of international taxation, it is hoped that income tax revenue in Indonesia from cross-border digital economic transactions will be maintained (Mediatama, 2022). The potential for tax avoidance

occurs due to many factors, including foreign ownership, foreign directors, foreign related parties transactions proxied by transfer pricing, and multinational corporation.

One of the factors that influence tax avoidance is foreign ownership. Foreign parties who are shareholders, both individuals and institutions in companies in Indonesia, are called foreign ownership (Nainggolan & Sari, 2019b). Annuar et al. (2014), Salihu et al. (2015), Kovermann & Velte (2019), and Nainggolan & Sari (2019) stated that there was a significant positive relationship between foreign ownership and tax avoidance. Meanwhile, different results were shown by Shi et al. (2020) and Yuanita et al. (2020), who stated a negative and significant relationship between foreign ownership and tax avoidance.

Another factor that can influence tax avoidance is foreign directors. Tax avoidance is carried out with strict supervision so that it does not violate the law and is directly supervised by the company board, which has an essential role in the smooth management of the company (Tanujaya & Rendy, 2021). The research results related to the relationship of foreign directors to tax avoidance also still show inconsistencies. Iliev & Roth (2018), Nainggolan & Sari (2019), and Chen et al. (2021) stated that there is a positive relationship between foreign directors and tax avoidance. Meanwhile, Suh et al. (2018) and Wen et al. (2020) state that there is a negative relationship between the presence of foreign directors and tax avoidance.

Transfer pricing is also considered a determining factor for tax avoidance. Transfer pricing is a policy carried out by the company by increasing or decreasing the price of goods that are inappropriate for parties with special relationships (Barker et al., 2016). Deviation from the fair price because in conditions of being free to apply any principles suitable for the corporation. "...In a multinational enterprise (MNE), many transactions normally take place between members of the group, the price charged for such transfer does not necessarily represent a result of the free play of market forces, but may, for many reasons and because the MNE is in a position to adopt whatever principle is convenient to its as a group (OECD, 1979). The results of Annuar et al. (2014), Salihu et al. (2015), and Nainggolan & Sari (2019) stated that there is a positive relationship between transfer pricing and tax avoidance. While different results are shown by Barker et al. (2016), they found no effect between transfer pricing on tax avoidance.

The last factor influencing tax avoidance is multinational corporations. Multinational corporations do tax avoidance to maximize their profits. Multinational corporations are companies that have more than one branch abroad. Multinational corporations are associated with cross-border operations that usually have subsidiaries or have special relationships with companies in other countries. Several previous studies related to tax avoidance have been

carried out, but there are still inconsistencies. The results of Rego (2003), Dyreng et al. (2008), and Hanlon & Heitzman (2010) show that multinational corporation has a significant effect on tax avoidance. In contrast, different results are shown by Heidy & Ngadiman (2021), who states that multinational corporation does not affect tax avoidance efforts.

From the findings of previous inconsistencies, tax avoidance is still a delightful issue, which is why this topic deserves to be re-examined using the variables of foreign ownership, foreign director, transfer pricing, and multinational corporation.

LITERATURE REVIEW

Agency Theory

According to Jensen & Meckling (1976), the agency is the difference between agent and principal. Agency theory connects the giver of authority with the party who is given the authority related to decision-making in the company's operational activities. The relationship between agency theory and tax avoidance is that agency theory describes the company's management must be done well to minimize tax avoidance. A poor governance system will negatively impact the company's image. A good company will adequately carry out tax planning so as not to use tax avoidance to maximise company profits.

There is a difference of interest between the agent (taxpayer) and the principle (government), where the government legally has the right to obtain tax revenue from the income owned by the taxpayer, while the taxpayer also has its own goal, namely to maximize the profits owned by the taxpayer (Frank et al., 2008; Nainggolan & Sari, 2019b; Oktavia et al., 2019).

Tax Avoidance

Tax avoidance is a strategy to avoid taxes (Oktaviani, Susanti, Sunarto, & Udin, 2019). However, in carrying out tax avoidance, companies are obliged to comply with tax regulations and fulfil their obligations as taxpayers (Frank et al., 2008; Richardson & Lanis, 2007). Tax avoidance carried out by the company can be measured using the Effective Tax Rate (ETR) proxy. According to Richardson & Lanis (2007), ETR is the most common proxy used to measure tax avoidance. A low ETR value can be used as an indicator of tax avoidance. This is due to the reduction of taxable income made by the company while maintaining the company's financial profit. The practice of corporate tax avoidance is closely related to foreign ownership. The increasingly rapid growth of economic globalization has an impact on increasing foreign direct investment (FDI). FDI plays a vital role in the industrialization process. Significant changes have occurred in terms of the size, scope, and methods of FDI in the last few decades.

Changes that occur due to technological developments reduced restrictions on foreign investment and acquisitions in many countries and deregulation and privatization in various industries.

Foreign Ownership

Foreign ownership is the structure of company share ownership owned by foreigners, both individually and institutionally. There are several forms of ownership in the ownership structure, one of which is foreign ownership. Foreign ownership arises because of foreign investment which according to Law Number 25 of 2007 article 1 paragraph (6) concerning Investment is defined as an investment activity to conduct business in the territory of the Republic of Indonesia, whether using foreign capital entirely or in a joint venture with other parties of domestic investors. Capital market conditions in Indonesia are influenced by foreign investors' ownership of total non-scripted shares, which significantly amounted to 51.21% or Rp. 1.912.93 trillion, according to data from the Indonesian Central Securities Depository (Oktavia et al., 2019). Meanwhile, Nainggolan & Sari (2019) stated that the large proportion of share ownership by foreign parties could be beneficial for them to exercise control over policymaking. This advantage affects managerial performance with the aim that investors get dividends by practising tax avoidance to minimize tax costs.

Foreign Director

Foreign directors are boards of directors that own shares and leadership rights in shares of companies in Indonesia. Foreign directors are able to convince foreign investors that the company is well managed. The existence of foreign directors provides a variety of perspectives and backgrounds regarding tax avoidance schemes. Directors with foreign experience can influence corporate tax avoidance decisions in two opposite directions. On the one hand, directors can place maximization of shareholder value as their primary task and ask the management team to reduce tax payments (Chyz & Gaertner, 2018; Lanis et al., 2017).

Foreign Related Parties Transactions

Foreign related parties transactions are transactions made by the reporting entity with related parties in order to transfer resources, services, or obligations. Related party transactions underlie the emergence of a tax planning strategy, namely transfer pricing (Nainggolan & Sari, 2019b). Companies use transfer pricing to minimize taxes that must be paid by manipulating prices transferred between divisions. In Statement of Financial Accounting Standards 07, a

related party transaction is the transfer of services, resources, or obligations between the reporting entity and a related party, whether or not fees are charged (IAI, 2018).

Multinational Corporation

A multinational corporation operating across countries usually has subsidiaries or has special relationships with companies in other countries. Companies like this have the possibility to take tax avoidance actions by looking at the comparison of tax rates and carrying out the practice of transferring company profits from one country to another with a lower tax rate (Dyrenge et al., 2008; Hanlon & Heitzman, 2010; Rego, 2003).

HYPOTHESIS DEVELOPMENTS

Foreign Ownership and Tax Avoidance

There are differences in interests that cause conflicts between shareholders (principals) and managers (agents); on the one hand, shareholders want their goals to be achieved, but on the other hand, managers, as managers of the company, want as much profit as possible. Big profits can be obtained by tax avoidance. Based on agency theory, significant share ownership tends to influence the company's policy because there are sufficient interests to be taken into account. The bigger the shares owned by foreign parties, the bigger the vote to take part in determining company policy (Kovermann & Velte, 2019; Nainggolan & Sari, 2019b; Salihu et al., 2015). Thus,

H1: Foreign ownership has a positive effect on tax avoidance

Foreign Director and Tax Avoidance

Agency theory can create an information imbalance because the director who is in charge of the company has the power to make decisions in managing the company's operations and has more information about the company than the principal. Foreign directors can bring ideas from diverse perspectives such as language, religion, education, culture, and professionalism that differ between countries. Foreign directors facilitate and influence corporate access to foreign, international resources, and transfer tax avoidance practices. The results of Nainggolan & Sari (2019), Iliev & Roth (2018), and (Chen et al., 2021) state that foreign directors who have a lot of knowledge and skills prefer to obtain short-term profits from the company, so foreign directors are more heavily involved in tax evasion. Thus,

H2: Foreign director has a positive influence on tax avoidance

Foreign Related Parties Transactions and Tax Avoidance

Transactions to related parties are transfers in resources, services, or obligations between the maker (reporting party) and related parties with special relationships. The existence of transactions with related parties makes it prone to transfer pricing. Companies use transfer pricing to maximize profits by diverting company profits from one country to another with a lower tax rate. Research conducted by Annuar et al. (2014), Salihu et al. (2015), and Nainggolan & Sari (2019) stated that related parties transactions have a positive effect on tax avoidance. Thus,

H3: Foreign related parties transactions have a positive effect on tax avoidance

Multinational Corporation and Tax Avoidance

Multinational corporation has the advantage of geographical flexibility, so they tend to avoid tax by taking advantage of differences in tax rates between countries. Managers in multinational corporations can avoid tax by diverting profits from high-tax countries to low-tax countries. This causes agency conflicts that occur in multinational corporations. Multinational corporations have a higher chance of avoiding tax compared to cross-domestic companies. Multinational corporations can transfer pricing to subsidiaries located in other countries that have lower tax rates (Dyreng et al., 2008; Hanlon & Heitzman, 2010; Nainggolan & Sari, 2019b; Otusanya, 2011; Rego, 2003). Thus,

H4: Multinational corporation has a positive influence on tax avoidance

RESEARCH METHODS

This study uses multinational corporations in Indonesia that are listed on the Indonesia Stock Exchange in the 2016-2019 period. The reason for using multinational corporations is that multinational corporations are the most significant contributor to taxes for the country, besides those generated by manufacturing companies. In addition, multinational corporations are very interesting to study. The purposive sampling technique resulted in 280 observations that met the criteria. The sample criteria used are as follows:

1. Companies are listed on the Indonesia Stock Exchange before January 1, 2016, until December 31, 2019.
2. Registered companies are not companies engaged in industries that have special tax provisions, for example, companies in the finance, construction, property and real estate, agriculture, and mining industries.

3. Companies issue audited financial statements for the period 2016-2019 and other than special companies.
4. The company uses the rupiah currency in the financial statements.
5. Data regarding the variables to be studied are available in full in the company's financial statements from 2016 to 2019.
6. The company has a positive profit.

Measures

Tax avoidance is exploiting loopholes legally according to tax laws for minimum and optimal tax payments. The tax avoidance ratio is measured by dividing the tax burden by the profit before tax (Frank et al., 2008; Richardson & Lanis, 2007).

$$ETR = \frac{\text{Tax Expense}}{\text{Pretax income}}$$

Foreign ownership is the ownership of shares in companies located in Indonesia by foreign parties, both individuals and institutions. Foreign ownership is calculated by dividing the number of shares owned by foreign parties by the total shares outstanding. The foreign ownership formula in this study refers to research conducted by Nainggolan & Sari (2019).

$$FO = \frac{\text{Number of shares owned by foreign parties}}{\text{Total shares outstanding}} \times 100$$

Transfer pricing is a provision made by a company to ratify special prices made on financial transactions carried out by related parties. The transfer pricing ratio adopts research by Barker et al. (2016).

$$TP = \frac{\text{Accounts receivable related}}{\text{Total accounts receivable}} \times 100$$

Multinational corporations are companies that do business in more than one country with good growth (Hansen & Mowen, 2007). Companies with branches in other countries are given a value of 1, and companies that do not have branches in other countries are given a value of 0.

Data analysis in this study used eviews version 09. The first stage of testing with eviews was model selection. The selection of the first model uses the Chow test by comparing the CEM (Common effect model) and FEM (Fixed effect model) models. In the selection of this model, the selected model is the fixed effect model. The second testing stage is the Hausman test, which compares FEM (Fixed effect model) and REM (Random effect model). In this model selection, the fixed effect model is selected.

RESULTS AND DISCUSSION

Table 1 describes the results of descriptive statistical tests.

Table 1. Descriptive statistics

	Foreign Ownership	Foreign Director	Transfer Pricing	Multinational Corporation	Tax Avoidance
Mean	0.403571	0.120329	0.137499	0.278571	0.252269
Median	0.000000	0.000000	0.017700	0.000000	0.250200
Maximum	1.000000	0.833300	1.179600	1.000000	0.412100
Minimum	0.000000	0.000000	0.000000	0.000000	0.094500
Std. Dev.	0.491492	0.200852	0.242142	0.449099	0.065613
Skewness	0.393094	1.572871	2.114885	0.987868	0.143161
Kurtosis	1.154523	4.450114	6.692946	1.975882	2.901042
Jarque-Bera	46.94524	139.9828	367.8361	57.77737	1.070686
Probability	0.000000	0.000000	0.000000	0.000000	0.585468
Sum	113.0000	33.69220	38.49970	78.00000	70.63520
Sum Sq. Dev.	67.39643	11.25528	16.35858	56.27143	1.201132
Observations	280	280	280	280	280

Source: Eviews 9 data analysis

Based on Table 1, the value of foreign ownership in the object of this study varies greatly, with a minimum value of 0.00 found in companies that do not have foreign ownership. In contrast, the maximum value of 1.00 indicates that the company has foreign ownership. The mean in the foreign ownership variable shows the number 0.403571 which means that the average value of foreign ownership in the companies used as the sample is only 40.35 per cent. Meanwhile, the standard deviation value is 0.491492, which shows that the difference in the value of the variables that occur in foreign ownership in the study to the average value is 49.14 per cent.

The value of foreign directors in the research object varies greatly, with a minimum value of 0.00 found in companies that do not have foreign directors. In contrast, the maximum value of 0.833300 was found in PT Catur Sentosa Adiprana Tbk (CSAP) in 2019. The mean in the variable of foreign directors shows the number 0.120329, which means that the average value of foreign directors used as a sample is only 12.03 per cent. Meanwhile, the standard

deviation value is 0.200852, which indicates that the difference in the value of the variables that occur in foreign directors in the study to the average value is 20.08 per cent.

The transfer pricing value in the research object varies greatly, with a minimum value of 0.00 found in companies that do not have related parties, while the maximum value of 1.179600 is found in PT Surya Toto Indonesia Tbk (TOTO) in 2019. The mean in the transfer pricing variable shows the number 0.137499, which means the average value of transfer pricing used as a sample is only 13.75 per cent. Meanwhile, the standard deviation value is 0.242142, which shows that the difference in the value of the variables that occur in foreign directors in the study to the average value is 24.12 per cent.

The value of multinational corporations in the research object varies greatly, with a minimum value of 0.00, found in companies that do not have subsidiaries outside Indonesia. The maximum value is 1.00, which indicates that the company has subsidiaries outside Indonesia. The mean in the multinational corporation variable shows the number 0.278571, which means the average value of transfer pricing used as a sample is only 27.85 per cent. Meanwhile, the standard deviation value is 0.449099, which indicates that the difference in the value of the variables that occur in foreign directors in the study to the average value is 44.91 per cent.

The value of tax avoidance in the object of research varies greatly, with the minimum value of 0.094500 while the maximum value of 0.412100. The mean in the multinational corporation variable shows the number 0.252269, which means the average value of transfer pricing used as a sample is only 25.22 per cent. Meanwhile, the standard deviation value is 0.065613 which indicates that the difference in the value of the variables that occur in foreign directors in the study to the average value is 6.56 per cent.

Panel Data Regression Analysis

From the data processing results, the best test results used in this study were carried out with the Fixed Effect Model (FEM) approach shown in Table 2.

Table 2. FEM test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.245300	0.014065	17.43989	0.0000
Foreign Ownership	0.018177	0.015466	1.175282	0.1412
Foreign Director	0.021650	0.056121	0.385780	0.7001
Transfer Pricing	0.012159	0.050508	0.240733	0.1100
Multinational Corporation	0.014038	0.027621	0.508213	0.0118

Source: Eviews 9 data processing

The test results' constant value (α) is positive at 0.245300, indicating that if foreign ownership, foreign directors, transfer pricing, and multinational corporations are declared constant at zero, the company tends to avoid tax. In addition, the tax avoidance variable will increase by 0.24 per cent without being influenced by anything. The regression coefficient (β_1) of 0.018177 indicates that if foreign ownership increases by 1%, tax avoidance increases by 0.018 per cent, assuming that other variables are constant. The regression coefficient (β_2) of 0.021650 means that if foreign directors increase by 1%, tax avoidance increases by 0.021 per cent, assuming that other variables are constant.

The regression coefficient (β_3) of 0.012159 means that if transfer pricing increases by 1%, tax avoidance increases by 0.012 per cent, assuming that other variables are constant. The regression coefficient (β_4) of 0.014038 means that if multinational corporations increase by 1%, tax avoidance increases by 0.014 per cent, assuming that other variables are constant. The F_{count} value obtained is 0.0000 which is smaller than the significance value of 5% or (Sig < 0.05) which means that jointly foreign ownership, foreign directors, transfer pricing, and multinational corporations in this study can significantly affect tax avoidance.

The Effect of Foreign Ownership on Tax Avoidance

The hypothesis test (t-test) shows that foreign ownership has a significant value of 0.1412 with a significant level of 0.05 which means that H1 is rejected. Therefore, it can be stated that foreign ownership does not affect tax avoidance. Foreign ownership does not affect tax avoidance because tax avoidance has costs in the form of legal risks and company reputation. This is considered to have a more significant effect than the benefits obtained by aggressive tax practices. Owners tend to aim to get long-term value from the company, so owners will try to encourage company management agents to implement better corporate governance. This better corporate governance encourages company owners to avoid tax evasion. According to agency theory, insignificant share ownership tends not to be able to influence company policy because there is no sufficient interest to be taken into account. Therefore, the larger the shares owned by foreign parties, the greater the participation in determining company policies. This study's results align with the findings (Annur et al., 2014) that foreign ownership has no effect on tax avoidance.

The Effect of the Proportion of Foreign Directors on Tax Avoidance

The hypothesis test (t-test) shows that foreign directors have a significant value of 0.7001 with a significant level of 0.05 which means that H2 is rejected. Therefore, it can be

interpreted that foreign directors do not affect tax avoidance. The difference in the direction of the coefficient between foreign owners and foreign directors on this practice of tax avoidance indicates a conflict of interest between the owner as a principle and the directors as an agent, as described in agency theory. Foreign directors who are equipped with knowledge and competence strive to obtain short term value from the company so that foreign directors have a greater intention to engage in aggressive taxation. Foreign owners who intend to obtain long-term value from the company try to avoid aggressive tax practices so that the company avoids tax exposure. The results of this study are in line with the findings of Wen et al. (2020) that foreign directors have no significant effect on tax avoidance.

The Effect of Related Parties Transactions on Tax Avoidance

5 The hypothesis test (t-test) shows that transactions to related parties have a significant value of 0.1100 with a significant level of 0.05, which means that H3 is rejected. Therefore, it can be interpreted that transactions with related parties do not affect tax avoidance. Based on agency theory, the existence of a contract between one or several principals authorizes the agent over the company's activities to make decisions in running the company. One of them is that agents can carry out related party transactions with the company as high as possible so that the tax avoidance that is carried out is highly fulfilled. The lower the company conducts related party transactions, it indicates that the company has succeeded in avoiding tax. This study's results align with the findings of Barker et al. (2016) that transactions to related parties have no significant effect on tax avoidance.

The Effect of Multinational Corporations on Tax Avoidance

5 The hypothesis test (t-test) shows that multinational corporations have a significant value of 0.0118 with a significant level of 0.05 which means that H4 is accepted. Therefore, it can be interpreted that multinational corporations affect tax avoidance. This shows that the more and wider the foreign operations of a company, the easier it is for the company to manage its financial structure. In other words, multinational corporations with many operations abroad carry out more complex transactions, making it more difficult to detect that the company has evaded tax. With this, multinational corporations optimize the level of interest-bearing debt so that the interest expense can be fully deducted from taxable income. The results of the study are in line with the findings of Rego (2003), Dyreng et al. (2008), Hanlon & Heitzman (2010), and Otusanya (2011) that multinational corporations have a significant positive effect on tax avoidance.

CONCLUSION

The results of this study conclude that (1) foreign ownership, foreign directors, and transfer pricing have no significant effect on tax avoidance. The higher or lower the number of foreign ownership, foreign directors, and transfer pricing cannot influence the company's tax avoidance actions. The findings of this study indicate that foreign ownership and foreign directors are sufficient in monitoring and managing the company professionally. Multinational corporations that do tax avoidance by taking advantage of loopholes in the tax law must do the best possible tax planning to avoid things that are not following applicable tax regulations.

Some limitations need to be explained in this study. First, the limitation of the sample which only involves 280 observations in the 2016-2019 period. Therefore, future research is expected to expand the sample criteria and use different industry sectors. Second, the limitations of the variables used as described in the research model. Therefore, future research is expected to add other independent variables that can affect tax avoidance. Third, the limitations of the measurement of the variables used. Therefore, further research can elaborate other measurements as a proxy for tax avoidance.

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