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THE EFFECT OF FIRM SIZE AND TRANSFER PRICING ON TAX AGGRESSIVENESS WITH INSTITUTIONAL OWNERSHIP AS A MODERATING VARIABLE

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Abstract
This study aims to empirically prove the influence of firm size and transfer pricing on tax aggressiveness with institutional ownership as a moderating variable. The independent variables used in this research are firm size and transfer pricing. The dependent variable used in this research is tax aggressiveness and the moderating variable uses institutional ownership. The population in this study are basic materials sector companies listed on the Indonesia Stock Exchange in 2018-2022. The sample selection method used purposive sampling, based on this method 14 (fourteen) companies were obtained, the data that was successfully used as a research sample was 8 (eight) companies with observations for 5 (five) years. The data used in this research is secondary data in the form of annual financial reports. The results of this research indicate that Firm Size and Transfer Pricing simultaneously have a significant effect on Tax Aggressiveness. The results of research conducted partially state that Firm Size and Transfer Pricing influence Tax Aggressiveness. Apart from that, Institutional Ownership is unable to moderate the influence of firm size and transfer pricing on Tax Aggressiveness.
***Keywords**:* Firm Size, Institutional Ownership, Tax Aggressiveness, Transfer Pricing.

INTRODUCTION

The dominant source of state revenue is received from taxes. Taxes collected by the state are used as a source of budget allocated to the community to build facilities, facilities and infrastructure, and national development that will be used by the general public. To realize this, the tax authorities want as much tax revenue as possible. But in reality, companies actually want the taxes paid to the state to be small. One of the sectors that has contributed to tax revenues in Indonesia is the basic materials sector. Judging from the business classification, the company whose shares are listed on the Indonesia Stock Exchange (IDX) at this time is the largest sector of Consumer Cyclicals or non-primary consumer goods which reaches 16.9% of 152 companies. The primary consumer goods sector or Consumer Non-Cyclicals, the Financials sector and Basic Materials or raw materials also dominate, respectively as much as 13.7%, 11.8% and 11.3% of all companies that are listed on the Indonesia Stock Exchange (IDX). This indicates that indeed the processing industry, one of which is the basic materials sector, is a major contribution to state revenue.

Stakeholders, especially shareholders and financial analysts, often evaluate company performance based on net profit and profit growth. In the face of this pressure, companies can look for ways to increase net income, including through managing tax liabilities. This triggers companies to practice tax aggressiveness. Aggressive tax action is any action either legal with tax planning (tax avoidance) in accordance with applicable tax regulations or illegal (tax evasion) that has the intention of manipulating the taxable profit of a company. Tax aggressiveness can occur by reducing the amount of tax that does not exceed legal limits and often by finding fault with all existing regulations. Tax aggressiveness can be done from various factors. The following is a table that will explain several factors that can affect tax aggressiveness, as follows:

Table 1. Development of the Average Ratio of Basic Materials Sector Companies Listed on the Indonesia Stock Exchange for the Period 2018-2022.

Keterangan	2018	2019	2020	2021	2022
Tax Aggressiveness (Y) (%)	18,389	28,956	23,436	19,971	20,337
Firm Size (X1)	29,142	29,183	29,199	29,303	29,352
Transfer Pricing (X2) (%)	5,166	5,706	6,297	10,839	14,472
Institutional Ownership (Z) (%)	68,562	71,002	71,482	70,726	71,143

Source: Financial report data processed by the Author, 2024

Based on table 1, companies operating in the basic materials sector that are listed on the Indonesia Stock Exchange between 2018 and 2022 are expected to grow at an average rate, indicating that:

Tax Aggressiveness in 2019 increased to 28.956 or an increase of 57.46% compared to 2018 of 18.389. Meanwhile, in 2020 it decreased to 23.436 or decreased by -19.06% compared to 2019 of 28.956. In 2021 it decreased to 19,971 or decreased by -14.78%. In 2022 it increased to 20.337 or decreased by 1.83%.

Firm size in 2019 increased to 29.183 or increased by 0.14 compared to 2018 of 29.142. In 2020 it also increased to 29.199 or an increase of 0.05 compared to 2019 of 29.183. In 2021 it increased to 29.303 or an increase of 0.36. In 2022 it increased to 20.352 or increased by 0.17. If it is associated with the tax aggressiveness variable, it can be seen that if firm size increases, tax aggressiveness increases and vice versa, if firm size decreases, tax aggressiveness decreases.

Transfer Pricing in 2019 received an increase to 5.706% or an increase of 10.45% compared to 2018 of 5.166%. In 2020 it also increased to 6.297% or an increase of 10.36% compared to 2019 of 5.706%. In 2021 it increased to 10.839% or an increase of 72.13%. In 2022, it increased to 14.472% or an increase of 33.52%. When related to the tax aggressiveness variable, it shows that when transfer pricing increases, tax aggressiveness increases and vice versa, when transfer pricing decreases, tax aggressiveness decreases.

Institutional Ownership in 2019 increased to 71.002% or increased by 3.56% compared to 2018 as much as 68.562%. In 2020 it also increased by 71.482 or increased by 0.68% compared to 2019 of 71.002%. In 2021 it decreased to 70.726% or decreased by -1.058%. In 2022 it increased to 71.143% or increased by 0.59%. When related to the tax aggressiveness variable, it shows that when institutional ownership increases, tax aggressiveness increases, and vice versa, when institutional ownership decreases, tax aggressiveness decreases.

One of the elements that makes a company tax aggressive is firm size. In previous research conducted by (Fajriah & Nursita, 2024; Leksono et al., 2019; Tandean & Nainggolan, 2017) explains that there is an influence of the firm size variable or company size on tax aggressiveness. Different from the research that has been done by (Fitri & Pratiwi, 2021; Herlinda & Rahmawati, 2021; Masyitah et al., 2022) explains the absence of influence between firm size on tax aggressiveness.

Furthermore, the practice that is often used by companies in avoiding taxes is transfer pricing. In previous research by (Alfarizi et al., 2021; Fitri & Pratiwi, 2021; Fitriani et al., 2021) explained the influence between transfer pricing variables on tax aggressiveness. In contrast to research by Widiyantoro & Sitorus (2019) indicates that there is no effect between transfer pricing variables on tax aggressiveness.

The next factor carried out by the company in conducting tax aggressiveness is institutional ownership. In previous research that has been done by (Fitriani et al., 2021; Putri & Andriyani, 2020) explains that there is an effect between institutional ownership on tax

aggressiveness. In contrast to previous research that has been done by (Trisnawati & Wenten, 2022) explains that there is no effect between institutional ownership on tax aggressiveness.

The research objectives to be achieved in this study are to test and analyze the simultaneous effect of firm size and transfer pricing on tax aggressiveness. To partially test and analyze the effect of firm size on tax aggressiveness. To test and analyze the partial effect of transfer pricing on tax aggressiveness. To test and analyze whether institutional ownership moderates the effect of firm size on tax aggressiveness. To test and analyze whether institutional ownership moderates the effect of transfer pricing on tax aggressiveness.

LITERATURE REVIEW

Agency Theory

The theory of agency, introduced by Jensen & Meckling (1976) states that "We define an agency relationship is a contract by which one or more persons (the principals) engage another person (the agent) to perform a service on their behalf, which involves the delegating of some decision-making power to the agent". In accordance with Fitri & Pratiwi (2021) Agency theory in relation to tax avoidance is that the principals want agents in company management to get greater profits in benefiting shareholders so that management arranges ways to get large revenues with the minimum possible tax expense, therefore the method of tax avoidance is used by management to manage the wishes of the principals in order to make large profits. According to (Fajriah & Nursita, 2024) Agency theory is a theory of the inequality of interests between the principal and the agent. Agency theory is based on the contract between shareholders or owners and management or managers. In the context of tax avoidance, agency theory is used to explain the different interests held between management and investors. Management has an interest in managing the company's profits in order to reduce the company's tax liabilities at a later date. However, the manipulative behavior of management can lead to biased information for investors.

Tax Aggressiveness

Tax aggressiveness is an action taken to manage the firm's taxable profit through tax planning, either legally (tax avoidance) or illegally (tax evasion). Tax avoidance is done by reducing the amount of tax that does not violate the limits of the regulations in the legislation and often looks for blemishes from each existing regulation. This action does not violate the law and is included in tax planning. Meanwhile, tax evasion is tax avoidance carried out by actions that are considered to violate tax laws, for example by lowering the tax burden by not declaring income or by declaring income but not paying the actual amount of tax (Frank et al., 2009 in Fitriani et al., 2021). In calculating, reporting and paying their own tax obligations, taxpayers are given full discretion on these matters. Therefore, in this case it seems to open up opportunities from the taxation side, especially for taxpayers to manipulate the number of tax figures to be paid in an effort to reduce company costs, including the tax burden (Stawati, 2020 in Masyitah et al., 2022). The government has enacted laws and regulations regarding the tax payment obligations of taxpayers as determined by the government, but these rules have weaknesses that can be exploited for tax planning. Firms view the tax burden as an additional cost that can reduce firm profits, so firms are likely to use tax planning to reduce the firm's effective tax rate (Herlinda & Rahmawati, 2021).

Firm Size

Firm size is a measurement of how much the company is known for investing shares in various other companies. The size of the company is the scale of the size of the company so that the scale owned by the company also determines the activities carried out by the company if the scale of the company is large, the more activities carried out, the more profit is generated in line with the tax expense that must be paid (Herlinda & Rahmawati, 2021). Company size is

a scale comparison that measures the size or size of the company based on assets. Assets are the wealth owned by the company that is used as a business process or business management that can generate profits. The amount of assets is used as a benchmark for the principal in carrying out investment activities. The more transactions carried out by the company, the greater the possibility of income received by the company, so that the tax expense to be paid may also increase (Anggraeni and Oktaviani, 2021 in Fajriah & Nursita, 2024). Firm size can indicate its capability and stability to conduct its economic activities. The bigger the firm, the greater the supervision by the government, and this will lead to two possibilities, namely the tendency to comply or tax avoidance, which is a tax evasion activity. The assets owned by a company are related to the size of the company; the larger the company, the larger the total assets. Assets are depreciated every year and can also reduce the net profit of the company, thus reducing the tax burden paid by the company. (Leksono et al., 2019).

Transfer Pricing

Transfer pricing is the price of a product or service in one business unit that is transferred to another business unit within the same company or between companies that have a special relationship. Based on the Minister of Finance Regulation No. 22/PMK.03/2020 transfer pricing is the price in transactions affected by special relationships as stipulated in the Law on taxes. In multinational companies, transfer pricing practices are carried out by utilizing differences in tax rates in each country. The practice of transfer pricing is generally carried out by selling goods and services at below market prices within the same group and transferring the company's profits to companies in the same group located in countries with lower tax rates. With a lower selling prices to the special party, the profit earned by the company is reduced so that the income tax imposition of the company is low. This means that the high transfer pricing practices reflect more aggressive tax avoidance by the company. Companies with subsidiaries or branches in jurisdictions with different tax rates will exploit regulatory loopholes through transfer pricing practices. (Fitriani et al., 2021). Transfer pricing in this study highlights related to receivables transactions with parties that have special relationships (related parties), where the transaction is carried out by using prices below fair market prices for goods or services delivery transactions, by providing the lowest possible price, the profit earned will be smaller so that the tax expense to be paid will be lower than by providing a normal price (Fitri & Pratiwi, 2021). Transfer pricing is an effort made by companies in the purpose of tax avoidance. Based on the government's perspective, transfer pricing is able to cause a country's tax revenue opportunity to be reduced due to the company shifting its tax burden by lowering the selling price to affiliated companies and transferring the profits earned to affiliated companies (Putri & Mulyani, 2020 dalam Alfarizi et al., 2021).

Institutional Ownership

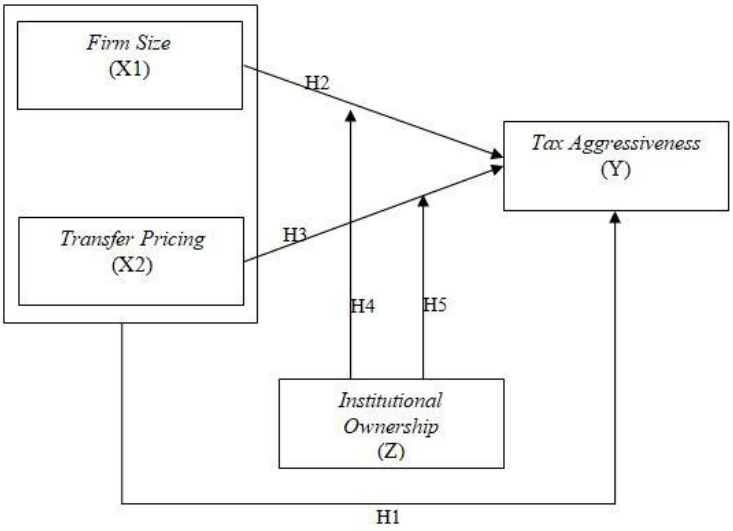
Institutional ownership is defined as the ownership of shares by the government, banks, insurance corporations, companies and foreign investors, excluding ownership by individual investors. Institutional ownership plays a very important role for the company and for management decisions. This is because with the existence of institutional ownership, there is more supervision of the management in running the company. The oversight mechanism by institutions that become investors in the company ensures that every decision can be made carefully and it is hardly possible to believe in the act of manipulating profits (Fitriani et al., 2021). Institutional ownership is a party that can prevent management activities for its own interests, institutional ownership has the ability to monitor and influence management. However, institutional ownership in a corporation has not been able to significantly reduce tax avoidance. The amount of institutional ownership in a corporation has little effect on the potential for tax avoidance. This is because whether or not there is institutional ownership, tax avoidance still occurs, because their involvement in supervision and management of the

company delegates a lot of responsibility to the board of commissioners to do so (Wijayanti & Merkusiwati, 2017 dalam Trisnawati & Wenten, 2022). The more institutional ownership, the tighter the supervision will be and vice versa, the less institutional ownership, the looser the supervision will be so that fraud can occur. The higher the level of institutional ownership, the higher the tax bill the firm has to pay. This result is in accordance with agency theory that the existence of institutional ownership in the company can reduce conflicts of interest differences between company owners and management where each individual will act in their own self-interest. Because of their size and voting power, institutional owners can compel managers to concentrate on economic performance and avoid opportunities for self-interested behavior (Putri & Andriyani, 2020).

Hypothesis

The framework in researching the effect of Firm Size and Transfer pricing on Tax Aggressiveness with Institutional Ownership as a moderating variable is a rationale that includes a combination of theories, facts, observations, and literature reviews, which will be used as a basis for writing scientific papers. Because it is the basis, the framework in this study can be seen in the scheme below.

Figure 1. Conceptual Framework



H1: It is suspected that firm size and transfer pricing simultaneously affect tax aggressiveness.
H2: It is suspected that firm size affects tax aggressiveness.
H3: It is suspected that transfer pricing affects tax aggressiveness.
H4: It is suspected that institutional ownership can moderate the effect of firm size on tax aggressiveness.
H5: It is suspected that institutional ownership can moderate the effect of transfer pricing on tax aggressiveness.

METHODS

The type of study used in this research is a quantitative method. As defined by Sugiyono (2016: 8), "quantitative methods can be defined as research methods based on the philosophy of positivism, which are used for research on specific populations or samples, data collection by using research instruments, and quantitative/statistical data analysis with the aim of explaining and testing predetermined hypotheses". The researchers obtained data related to the variables studied in this research, namely using secondary data in the annual reports and financial reports of the companies in the basic materials sector that are publicly listed on the Indonesia Stock Exchange in 2018-2022. The secondary data is obtained through the website

of the official IDX and the website of each company. The population of this research is 106 (one hundred and six) companies in the basic materials sector, and the sample selection method is purposive sampling, based on this method 14 (fourteen) companies were obtained, the data that was successfully sampled were 8 (eight) companies with observations for 5 (five) years.

The following are the proxies used in this study from each variable:

Tabel 2. Operational Research Variables

No	Variable	Measurement Indicators	Scale
1	Tax Aggressiveness (Y) (Fitriani et al., 2021)	ETR = $\frac{Tax\ Expense}{Profit\ Before\ Tax}$	Ratio
2	Firm Size (X1) (Leksono et al., 2019)	$Firm\ Size = Ln\ (Total\ Asset)$	Ratio
3	Transfer Pricing (X2) (Fitriani et al., 2021)	$TP = \frac{Trade\ Receivables\ from\ Related\ Parties}{Total\ Receivables}$	Ratio
4	Institutional Ownership (Z) (Putri & Andriyani, 2020)	$KI = \frac{Total\ Institutional\ Share}{Number\ of\ Shares\ Outstanding}$	Ratio

Source: Data processed by researchers, 2024

RESULT AND DISCUSSION

Descriptive Statistical Analysis

The following are the findings of the descriptive statistical analysis test conducted in this study:

Tabel 3. Descriptive Statistical Test Results

	Y	X1	X2	Z
Mean	22,21781	29,23567	8,496003	70,58300
Median	22,22033	29,31035	1,867656	73,89986
Maximum	62,13142	32,05224	82,51464	99,71122
Minimum	2,370580	27,19747	0,002954	51,00143
Std Dev.	9,368966	1,392535	13,75702	14,38983
Skewness	1,116914	0,334455	2,947724	0,414836
Kurtosis	6,389995	2,148882	14,23923	2,354856
Jarque Bera	48,07264	3,417872	469,8067	3,221650
Probability	0,000000	0,181058	0,000000	0,199723
Sum	1.555,247	2046,497	594,7202	4940,810
Sum Sq Dev	6.056,649	133,8015	13058,64	14287,63
Observations	70	70	70	70

Source: Eviews-12 Output, 2024

On the basis of the results of the descriptive statistical analysis tests Tax Aggressiveness (Y) has a low value (minimum) of 2.370580 where this value is owned by PT Samator Indo Gas Tbk. during 2020 and found a maximum value of 62.13142 owned by PT Aneka Tambang Tbk. during 2019, by finding an average value (mean) of 22.21781 and a standard deviation value of 9.368966. This situation shows that the mean value is higher than the standard deviation value, namely 22.21781 > 9.368966, meaning that the tax aggressiveness variable has low data variation.

Firm size (X1) gets the lowest (minimum) value of 27.19747 where this value is owned by PT Colorpak Indonesia Tbk. during 2020 and the highest (maximum) value of 32.05224 owned by PT Semen Indonesia (Persero) Tbk. during 2020, with a mean (average) value of

29.23567 and a standard deviation value of 1.392535. This situation shows that the mean value is higher than the standard deviation value, namely 29.23567 > 1.392535, meaning that the firm size variable has low data variation.

Transfer Pricing (X2) has the lowest (minimum) value of 0.002954 where the value is owned by PT Argha Karya Prima Industry Tbk. during 2019 and the highest (maximum) value is 82.51464 where the value is owned by PT Cita Mineral Investindo Tbk. during 2022, and has an average (mean) value of 8.496003 and a standard deviation value of 13.75702. This situation shows that the mean value is lower than the standard deviation value, namely 8.496003 < 13.75702, meaning that the transfer pricing variable has high data variation.

Institutional Ownership (Z) found the lowest (minimum) value of 51.00143 which is owned by PT Indocement Tunggal Prakarsa Tbk. during the period 2018 to 2020 and found the highest (maximum) value of 99.71122 owned by PT Fajar Surya Wisesa Tbk. during the period 2019 to 2022, with an average (mean) value of 70.58300 and a standard deviation value of 14.38983. This situation shows that the mean value is higher than the standard deviation value or standard deviation or can be explained 70.58300 > 14.38983, meaning that the institutional ownership variable has low data variation.

Classic Assumption Test

Table 4. Classic Assumpion Test Result

Test Type	Data Used	Test Result
Normality Test	Probability	0.12626 > 0.05
Multicollinearity Test	Centered VIF	X1: 2.948558 < 10 X2: 1.051872 < 10 Z: 3.036156 < 10
Heteroscedastisity Test	Prob. Chi-Square	0.4802 > 0.05
Autocorrelation Test	Durbin-Watson stat	1.6000 < 2.130487 < 2.40000

Source: Eviews-12 Output, 2024

Normality Test

Based on the results of the normality test in this study, it proves that the Jarque-Bera probability value is above the significance value or 0.126206 > 0.05. In the context of decision making, researchers can conclude that the data has a normal distribution.

Multicollinearity Test

Based on table, the results of the multicollinearity test prove that the Firm Size variable (X1) gets a VIF value of 2.948558 < 10, the Transfer Pricing variable (X2) gets a VIF value of 1.051872 < 10 and the Institutional Ownership variable (Z) gets a VIF value of 3.036156 < 10. So researchers can conclude from this research that there is no multicollinearity between the independent variables.

Heteroscedasticity Test

Based on the results of this study that the heteroscedasticity test conducted using the Glesjer Test is the prob value. Chi Square 0.4802 > 0.05 (significance value). From the test results it can be said that in this study there is no heteroscedasticity.

Autocorrelation Test

Based on table, the results of the autocorrelation test prove that the value of the Durbin-Watson Statistics is 2,130487 where the significance value is 5% with a total of 40 data (n) and a total of 2 (two) independent variables (k = 2), from the data results in this study show the results of Du < dw < 4-du 1,6000 < 2,130487 < 2,40000. The conclusion is that in this study the regression model does not occur autocorrelation or the data is not affected by autocorrelation problems.

Panel Data Linear Regression Analysis

Table 5. Panel Data Regression Analysis

Variable.	Coeffcient	Std. Error	t-Statistic	Prob.
C	574,5872	229,5527	2,503073	0,0182
X1	-19,62281	7,963075	-2,464226	0,0199
X2	-2,337043	1,084791	-2,154372	0,0397
Z	0,263574	0,299509	0,880021	0,3861

Source: Eviews-12 Output, 2024

Tax aggressiveness = 574.5872 - 19.62281X1 – 2.337043X2 + 0.263574Z + e

The meaning of these values is as follows: The constant value of 574.5782 means that if Firm Size, Transfer Pricing, and Institutional Ownership value is 0, then the amount of Tax Aggressiveness is 574.5782. The regression coefficient value of the Firm Size variable is -19.62281, which indicates that each 1 unit increase in Firm Size reduces Tax Aggressiveness by -19.62281, assuming that the value of the other independent variables is fixed. The regression coefficient of the transfer pricing variable is -2.337043, which indicates that each unit increase in transfer pricing reduces tax aggressiveness by -2.337043, holding the other independent variables constant. The regression coefficient of institutional ownership is 0.263574, which indicates that each increase in institutional ownership reduces tax aggressiveness by 0.263574.

Coefficient of Determination Test (R^2)

Table 6. Coefficient of Determination Test (R^2)

R-squared	0,569988	Mean dependent var	22,88588
Adjusted R-squared	0,421708	S.D. dependent var	7,199129
S.E. of regression	5,474614	Akaike info criterion	6,466537
Sum squared resid	869,1707	Schwarz criterion	6,930979
Log likelihood	-118,3307	Hannan-Quinn criter	6,634465
F-statistic	3,843999	Durbin-Watson stat	2,130487
Prob(F-statistic)	0,002160		

Source: Eviews-12 Output, 2024

On the basis of the results of the above-mentioned test for the determination of the coefficients, it can be seen that the adjusted R-squared value has a value of 0.421708. Where the magnitude of this value proves the ability of the independent variables used in this research, namely Firm Size and Transfer Pricing, as well as the moderating variable, Institutional Ownership, to explain the effect on the dependent variable, namely Tax Aggressiveness, in the amount of 42.17%, while the remaining percentage of the Adjusted R-Square is 57.83% which can be described by other variables not used in this study. The rise and fall of adjusted R^2 depends on the effect of each additional independent variable. In this study, the addition of independent variables, namely firm size and transfer pricing, affects the dependent variable, namely tax aggressiveness, so the adjusted R^2 value increases.

Hypothesis Testing

Simultaneous Test (F-Test)

In accordance with Ghozali and Ratmono (2017: 56) "the F test basically shows whether all the independent or free variables that are included in the model have a joint effect on the dependent or bound variable". The following are the results of the F-test in this study:

Table 7. F-Test (Simultaneous Test)

R-squared	0,569988	Mean dependent var	22,88588
Adjusted R-squared	0,421708	S.D. dependent var	7,199129

S.E. of regression	5,474614	Akaike info criterion	6,466537
Sum squared resid	869,1707	Schwarz criterion	6,930979
Log likelihood	-118,3307	Hannan-Quinn criter	6,634465
F-statistic	3,843999	Durbin-Watson stat	2,130487
Prob(F-statistic)	0,002160		

Source: Eviews-12 Output, 2024

H1: It is suspected that firm size and transfer pricing simultaneously affect tax aggressiveness.

In this study, the results of the Prob (F -statistic) value seen in this study amount to 0.002160 where this value is smaller than the significance value or 0.002160 <0.05 and the f-statistic value of 3.843999 where this value is greater than the f table of 3.252 taken from k = 3-1 = 2 and df2 = n - k = 40-3 = 37 so that it can be said that H1 is accepted and H0 is rejected or the independent variable affects the dependent variable simultaneously.

Firm size can indicate the company's ability and stability to conduct business. The assets owned by a company have a relationship with the size of a company. So the bigger the firm, the bigger the assets it owns. Likewise with transfer pricing, the implementation of transfer prices or commonly called transfer pricing is often done by selling goods and services using below-market prices in the same group and transferring a company's profits to companies in the same group that are located in countries that have smaller/lower tax rates. With a lower selling price to the special party will minimize the profit that will be obtained by the company, therefore the income tax imposition of the company is also low. So it can be interpreted that the high application of transfer prices or transfer pricing illustrates that the more aggressive the company does tax avoidance. Companies that have branches or subsidiaries in areas with unequal tax rates will take advantage of loopholes in transfer pricing rules. The results of this study are consistent with Fitri & Pratiwi (2021) which shows that firm size and transfer pricing simultaneously affect tax aggressiveness.

Table 8. t-Test (Partial Test)

Variable.	Coeffcient	Std. Error	t-Statistic	Prob.
C	574,5872	229,5527	2,503073	0,0182
X1	-19,62281	7,963075	-2,464226	0,0199
X2	-2,337043	1,084791	-2,154372	0,0397
Z	0,263574	0,299509	0,880021	0,3861

Source: Eviews-12 Output, 2024

H2: It is suspected that firm size affects tax aggressiveness.

On the basis of research findings, it proves that the significance test results obtained a probability value of 0.0199, where the probability value is lower / smaller than the significance value (0.0199 < 0.05) and the t test results show that the firm size variable is in the negative direction -2.464226 < -1.68709. So the researcher can conclude that the second hypothesis (H2) is accepted. The test results prove that the firm size variable affects tax aggressiveness. The negative sign shows that the firm size variable is inversely proportional between firm size and tax aggressiveness. This means that if firm size decreases, tax aggressiveness increases, otherwise if firm size increases, tax aggressiveness decreases. Firm size can indicate the capability and stability of the firm to carry out its economic activities. The assets owned by a company have a relationship with the size of a company. So the bigger the company, the greater the assets owned by the company. One of the assets that can affect the tax burden is fixed assets. It can be seen that the greater the value of fixed assets, the greater the depreciation expense. This causes the profit earned to decrease and the tax burden paid also decreases. Conversely, if

the value of fixed assets owned by the company decreases, the depreciation costs also decrease, this results in increased profits, therefore the tax burden paid by the company also increases. The results of this study are in line with previous research conducted by Fajriah & Nursita (2024), Leksono et al. (2019), Tandean & Nainggolan (2017) proving that firm size has an influence on tax aggressiveness.

H3: It is suspected that transfer pricing affects tax aggressiveness.

Based on the research results prove that the significance test results obtained a probability value of 0.0397, where the probability value is lower / smaller than the significance value (0.0397 < 0.05) and the t test results show that the transfer pricing variable is in the negative direction - 2.154372 < -1.68709. So the researcher can conclude that the third hypothesis (H3) is accepted. The result of this test shows that transfer pricing variable affects tax aggressiveness.

The negative sign indicates that the transfer pricing variable is inversely proportional between transfer pricing and tax aggressiveness. This means that if transfer pricing decreases, tax aggressiveness increases, otherwise if transfer pricing increases, tax aggressiveness decreases. If the company transacts more with companies that have special relationships, then the accounts receivable of related parties increases, so that the tax burden that must be paid by the company decreases. Conversely, if the company does not transact much with companies that have special relationships, the company's related party receivables decrease, so that the tax burden paid by the company also increases. The implementation of transfer pricing is often done by selling goods and services at below-market prices in the same group and transferring a company's profits to companies in the same group located in countries that have smaller/lower tax rates. With a lower selling price to the special party will minimize the profit that will be obtained by the company, therefore the income tax imposition of the company is also low. So it can be interpreted that the high application of transfer prices or transfer pricing illustrates that the more aggressive the company does tax avoidance. Companies that have branches or subsidiaries in areas that have unequal tax rates will use regulatory loopholes with transfer pricing activities. The results of this study prove that transfer pricing is an aspect that can affect tax aggressiveness. The results of this study are in line with research conducted by Alfarizi et al. (2021), Fitri & Pratiwi (2021), Fitriani et al. (2021) showing that transfer pricing has an influence on tax aggressiveness.

Moderated Regression Analysis (MRA) Test

Table 9. MRA Test

Variable.	Coeffcient	Std. Error	t-Statistic	Prob.
C	-107,852	810,7358	-0,133029	0,8952
X1	4,596710	28,23413	0,162807	0,8719
X2	-2,248303	17,63887	-0,127463	0,8995
Z	9,526607	10,81989	0,880472	0,3864
X1_Z	-0,331076	0,378394	-0,874950	0,3893
X2_Z	0,001809	0,244275	0,007405	0,9941

Source: Eviews-12 Output, 2024

Y = -107.8512 + 4.596710X1 – 2.248303X2 + 9.526607Z - 0.331076X1*Z + 0.001809X2*Z

Based on the regression equation above, it can be seen that for the hypothesis Based on table, it can be explained that:

The coefficient value a2 = 4.596710 is not significant because > 0.05
The coefficient value a3 = - 0.331076 is not significant because > 0.05
The coefficient value a2 = - 2.248303 is not significant because > 0.05
The coefficient value a3 = 0.001809 is significant because < 0.05

Based on the coefficient value of X1 with X1_Z, each coefficient value a2 and coefficient a3 is insignificant, which means that this type of moderation is homologiser moderatio. While the X2 coefficient value with X2_Z each coefficient value a2 and a3 is insignificant and significant, so this type of moderation is pure moderation.

Table 10. Moderation Test Results for Equation 1

Variable.	Coeffcient	Std. Error	t-Statistic	Prob.
C	-436,6000	702,4890	-0,621504	0,5931
X1	16,19469	24,86769	0,651234	0,5200
Z	12,73672	9,129082	1,395181	0,1736
X1_Z	-0,448071	0,325736	-1,375565	0,1795

H4: It is suspected that institutional ownership can moderate the effect of firm size on tax aggressiveness.

Based on the results of the MRA test or called Moderatod Regression Analysis on the results of moderation test 1 (one) above, the multiplication between firm size and tax aggressiveness proves a significance value of 0.1795 is higher / greater than the significance value is α = 0.05 or it can be said (0.1795 > 0.05) and the coefficient value is -0.448071. With the comparison between the calculated t value of -1.375565 higher / greater than the t table value of -1.68709. From these results, the researcher concludes that H4 is rejected, which means that the institutional ownership variable is unable to moderate (weaken) the relationship between firm size and tax aggressiveness.

If the institution controls shares higher / larger than other shareholders, then this party has a big share in monitoring the company's management policies. Institutional parties can oversee the running of the company so as to avoid conflicts that can harm other shareholders. If the company is mostly owned by the institution, the supervision will also be tighter and vice versa. If the fewer shares owned by the institution, the looser the supervision will be so that fraud can occur. The higher the level of institutional ownership, the higher the amount of tax burden that must be paid by the company (Putri & Andriyani, 2020). If it is related to company size, the larger the firm size, the more institutions that supervise the company both externally and internally. With the presence of institutions in a company, the company will be more careful in carrying out tax management and minimizing tax aggressiveness so that it is in accordance with applicable tax laws and can maintain the company's image. From the results of this study, researchers have proven that institutional ownership cannot moderate firm size on tax aggressiveness. This result is not in line with research Tandean & Nainggolan (2017) which states that institutional ownership is able to moderate firm size on tax aggressiveness.

Table 11. Moderation Test Results for Equation 2

Variable.	Coeffcient	Std. Error	t-Statistic	Prob.
C	31,81918	34,16404	0,931365	0,3594
X2	-14,39959	15,91055	-0,905034	0,3729
Z	-0,072754	0,500283	-0,145426	0,8854
X2_Z	0,175896	0,221405	0,794453	0,4334

Source: Eviews-12 Output, 2024

H5: It is suspected that institutional ownership can moderate the effect of transfer pricing on tax aggressiveness.

The results of the MRA test or called Moderatod Regression Analysis on the results of moderation test 2 (two) above the multiplication between transfer pricing and tax aggressiveness proves that the significance value of 0.4334 is higher/larger than the 5% significance rate (α = 0.05) or (0.4334 > 0.05) and the coefficient value is 0.175896. By

comparing the calculated t value of 0.799453 is smaller/lower than the t table value of 1.68709. From these results, the researcher concludes that H5 is rejected, which means that the institutional ownership variable is not able to moderate (spice up) the transfer pricing relationship with tax aggressiveness.

Strict oversight of the company is ensured by the existence of institutional ownership. Because institutional parties can minimize the problem of diverging interests between company owners (principals) and management (agents) where each individual will act in their own interests (Putri & Andriyani, 2020). Institutions that have dominant ownership can influence the amount of tax that the company will pay. High institutional ownership affects the lower acts of tax aggressiveness, on the contrary, with a low level of institutional ownership, the more tax aggressiveness the company will carry out(Fitriani et al., 2021). Likewise with transfer pricing practices, by avoiding conflicts of interest differences, institutions avoid unreasonable transfer pricing actions so that companies do not take aggressive tax avoidance actions. The results prove that institutional ownership cannot moderate transfer pricing on tax aggressiveness.

CLOSING

Conclusion

The purpose of this study is to examine the extent to which firm size and transfer pricing influence the tax aggressiveness of institutional ownership, which uses companies in the basic materials sector on the Indonesia Stock Exchange during the period 2018 - 2022. The conclusion from the results of the research that has been done by researchers is that firm size and transfer pricing simultaneously have a significant effect on tax aggressiveness. Firm size has a partial effect on tax aggressiveness. Transfer pricing partially affects tax aggressiveness. Institutional ownership is unable to moderate firm size on tax aggressiveness. Institutional ownership is not able to moderate transfer pricing on tax aggressiveness.

Suggestion

The researcher hopes that this research can provide an overview of the effect of Firm Size and Transfer Pricing on Tax Aggressiveness with Institutional Ownership as a Moderating variable. The suggestions from researchers that can be considered as research for future researchers are that researchers expect future researchers to be able to widen the scope of research, not only with basic materials companies on the Indonesia Stock Exchange (IDX). Researchers hope that the next researcher can increase the number of samples by also increasing the observation period so that the research results can be much better and can describe the current situation. The researcher hopes that the research he has done can help the next researcher and can be useful for the next researcher and provide the benefit of science in the field of accounting or taxation.

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