



THE THREAT OF TAX AVOIDANCE BY MULTINATIONAL COMPANIES THROUGH PROFIT SHIFTING

Lira Wigiana ^{1)*}, Steph Subanidja ²⁾, Edy Supriyadi ³⁾

¹⁾ lirawigiana@gmail.com, State Intelligence College

²⁾ ssubanidja@gmail.com, State Intelligence College

³⁾ edyvadi2@gmail.com, State Intelligence College

*corresponding author

Abstract

Tax is a mandatory contribution that taxpayers must submit to the state in accordance with the provisions of the law. However, in reality, tax avoidance by multinational companies through profit shifting has resulted in Indonesia losing tax revenue every year. Based on this, the discussion in this study is the causes of the threat of tax avoidance by multinational companies through profit shifting. This research also discusses intelligence strategies in facing the threat of tax avoidance. The method used is qualitative with data sourced from interviews and literature studies. The analysis used is Creswell analysis processed through the Nvivo application. This research also uses data source triangulation to examine data validity. Based on the research results, the causes of this threat are the intention and ability to jeopardize tax revenue. Intelligence strategies in facing this threat are a combination of intelligence objectives, intelligence methods, and intelligence resources. Intelligence objectives include state revenue, tax compliance, and Data-Based Organizations. Intelligence methods include Business Intelligence (BI), Compliance Risk Management (CRM), and data analysis. Intelligence resources include cooperation and data and information.

Keywords: Intelligence, Multinational companies, Tax, Tax avoidance

INTRODUCTION

The Directorate General of Taxes administers the taxation system in Indonesia based on Law Number 6 of 1983, which was last amended through Law Number 16 of 2009, adopting a self-assessment approach. This system heavily relies on taxpayer compliance and efficiency in supervision by tax authorities. To enhance the effectiveness of this system, the Directorate General of Taxes requires sophisticated methods to detect potential non-compliance by taxpayers. One approach adopted is through intelligence activities in the field of taxation. As part of its responsibility, the Director General of Taxes is granted the authority to conduct taxation intelligence activities, in accordance with the policies stated in the Ministry of Finance Regulation. Furthermore, to fulfill this responsibility, specialized units have been formed, such as the Directorate of Tax Intelligence at the DJP Headquarters, as well as intelligence sections at the regional office level (Kementerian Keuangan RI, 2019).

Intelligence has become an integral part of various activities, both at tactical and strategic levels. One critical area where intelligence plays a key role is in the economic realm. The economic component in strategic intelligence plays a central role in supporting the national development process. The presence of economic actors, decision-makers, and potential threats such as economic espionage, economic subversion, corruption, collusion, and monopolies require special attention to ensure the sustainability and integrity of economic development. One of the main focuses of economic intelligence is to safeguard state revenue. By monitoring and controlling revenue from taxes and non-tax revenue, such as royalties from the mining sector, economic intelligence strives to ensure stable and quality economic growth. In the context of state finance, various issues can arise and hinder national economy. Economic intelligence plays a vital role in addressing these issues, especially in efforts to maintain tax



revenue and non-tax state revenue targets. One method is to monitor and report potential misuse in the State Budget, including those related to customs duties and excise taxes. Additionally, the taxation sector is rife with complexities that require strict oversight. This includes collusion between tax officials and taxpayers, refund manipulation, and tax avoidance (Siswosoemarto et al., 2012).

The issue of tax avoidance became a major concern at the G20 meeting in India in 2023 due to its increasingly widespread impact across various countries. In efforts to increase profits, corporate business strategies often prioritize cost reduction, including tax expenses. Sri Mulyani, the Finance Minister, emphasized the importance of OECD and G20 initiatives related to Base Erosion and Profit Shifting (BEPS). The goal of the BEPS Action Plan is to protect state revenues from increasingly common tax avoidance practices, including those in Indonesia. In the era of globalization, many large companies are expanding abroad. Multinational companies such as Google, Amazon, Starbucks, and Microsoft, which have extensive operations including in Indonesia, are often scrutinized for their tax practices. Some multinational companies are known to exploit controversial tax strategies, even though they are legal. On the other hand, many investments in Indonesia are made through holding companies in countries such as the Netherlands, Singapore, and Mauritius, which allow these companies to reduce their tax burden. The BEPS Action Plan emerged as a response to the potential reduction in tax revenue, which can undermine tax fairness and authority. The G20 and the UN have taken note of this trend, especially in the context of its impact on developing countries. The main obstacles encountered by developing countries in addressing BEPS are limited capacity and a focus on domestic tax revenue, often overlooking the potential profit shifting to countries with low or no taxes (Hidranto, 2023).

Profit shifting tactics are used by multinational companies to avoid taxes and optimize corporate income. This strategy involves transferring profits from high-tax jurisdictions to low-tax jurisdictions, often referred to as tax havens. Although this practice may be legal in some jurisdictions, it raises ethical issues and results in many countries losing significant tax revenue. According to data from the OECD, an estimated \$1.15 trillion in profits is shifted through profit shifting practices to tax havens annually. As a result of tax avoidance, countries worldwide experience tax revenue losses of around \$311 billion, including Indonesia, which incurs losses of \$2,736.5 million annually. This loss of tax revenue not only harms state income but also affects economic policies. Many countries respond by lowering corporate tax rates in an effort to attract back investments. However, this step often carries further financial consequences. According to research by the International Monetary Fund (IMF), the impact caused by lowering tax rates can be three times greater than the impact due to profit shifting (Tax Justice Network, 2023).

In an effort to highlight the uniqueness and originality of the research, it is important to consider and refer to several previous studies or research relevant to the topic being investigated. The first previous study is "Tax Directorate General Intelligence (A Strategic Analysis)" written by Dwi Nurferyanto in 2010. The main focus of this study is the role of tax intelligence in general (Nurferyanto, 2010). The second previous study is "The Role of Tax Intelligence in Dealing with Asymmetric Financial Information" written by Farid AL-Firdaus in 2019. This research focuses on the role of tax intelligence in dealing with asymmetric financial information (Al-Firdaus, 2019). The third previous study is "The Role of Tax Intelligence in Increasing Tax Revenue" written by I Gusti Putu Aditya Kusuma and Agus Fredy Maradona in 2020. The main focus of this study is the role of tax intelligence in the Regional Office of the Directorate General of Taxes (DJP) in Bali (Kusuma & Maradona, 2020). The fourth previous study is "Base Erosion and Profit Shifting in Indonesia" written by Arnaldo Purba in 2018. This research focuses on empirical evidence of tax avoidance in Indonesia



(Purba, 2018). The fifth previous study is "Tax Avoidance in the Form of Base Erosion and Profit Shifting in Digital Economic Transactions by Multinational Companies" written by Ricky Apriadi and Lita Monalysa in 2021. The main focus of this study is tax avoidance by Google (Apriadi & Monalysa, 2021). Although several previous studies have discussed the role of tax intelligence, this research focuses more on intelligence strategies in addressing the threat of tax avoidance by multinational companies through profit shifting. Therefore, this study provides a significant new contribution to understanding this topic.

Based on the background above, the issues to be addressed in this study can be formulated as follows: 1) Tax avoidance by multinational companies through profit shifting does not align with the obligation of multinational companies to pay taxes. 2) Tax avoidance by multinational companies through profit shifting is assumed to pose a threat to national interests and security, particularly in the economic field. 3) Tax avoidance by multinational companies through profit shifting can be assumed to have various causes that need to be identified. 4) Ongoing tax avoidance by multinational companies through profit shifting may indicate that intelligence strategies are not yet optimal.

Based on the formulation of the problem above, the questions to be answered in this study are: what are the causes of the threat of tax avoidance by multinational companies through profit shifting, and what are the intelligence strategies in addressing the threat of tax avoidance by multinational companies through profit shifting. Therefore, the objectives of this research are to explain the causes of the threat of tax avoidance by multinational companies through profit shifting, and to explain the intelligence strategies in addressing the threat of tax avoidance by multinational companies through profit shifting.

LITERATURE REVIEW

Theories of Threat

Threat refers to the desire of an individual or group to cause harm to another group. Threats cannot originate from natural events or disasters. Only humans (or organizations, associations, businesses, or other corporate entities run by humans) can pose threats because threats require intent and capability. Threats can be directed at many entities, ranging from individuals, organizations, to states, and this is done by threat agents. The damage that may occur can take various forms, both physical and emotional/mental. Threat agents do not need to openly declare their intent to cause harm to be considered a threat, although explicit words or actions facilitate the identification of threat agents and threat assessment (Prunckun, 2015).

In threat analysis, there are two important elements to consider: the presence of threat agents (which can be individuals, groups, or organizations) and the targets of the threat. In brief, threat agents with intent and capability can have a negative impact on the targets. To determine whether threat agents have intent and capability, evaluation of two main aspects is required: intent, which is desire and expectation, and capability, which is knowledge and resources. Desire can be interpreted as the motivation of threat agents to cause harm to achieve their goals. Expectation is the belief held by threat agents that the plan they are executing will achieve the desired goal. Knowledge means having information that allows threat agents to utilize or create resources, or to carry out processes for that purpose. Resources are the skills, experience, and materials needed to actualize the plan (Prunckun, 2015).

In the legal provisions regarding state intelligence, the definition of threats has been regulated. Threats refer to any initiatives, tasks, actions, and steps from within or outside the country, which are assessed or proven to pose a danger to the safety, security, sovereignty, territorial integrity of Indonesia, as well as national interests in various fields, including security, defense, socio-cultural, economic, political, and ideological aspects (Presiden RI, 2011). Threats are divided into visible and invisible threats. Invisible threats are non-



conventional in nature, such as espionage, propaganda, and economic crises. Visible threats are conventional, such as terrorism, territorial violations, and narcotics. To address various types of threats, it is important for intelligence agencies to specialize according to the type of threat, for example, military intelligence deals with armed rebellion threats, police intelligence deals with law enforcement threats, prosecution intelligence handles corruption threats, national intelligence handles political conspiracy threats, foreign ministry intelligence handles illegal entry threats, and finance ministry intelligence handles tax and customs mafia threats (Sukarno, 2014).

Theories of Intelligence

Intelligence is a concept that is evolving and dynamic, with many definitions and applications based on the context and institutions that utilize it. Essentially, intelligence aims to provide deep knowledge about the surrounding environment to support strategic decisions. Intelligence agencies have the goal of ensuring that necessary information is known before taking certain steps. Intelligence can be seen as the product of activities involving the collection, processing, and analysis of information relevant to national security, both from domestic and international activities. This definition encompasses various activities carried out by the intelligence community, ranging from strategic analysis to daily reports for state officials. Furthermore, intelligence is also related to information protection. The concept of counterintelligence becomes important here, as besides acquiring information about other parties, one's own information needs to be protected from leaks or unwanted parties. In other words, intelligence not only functions as an offensive tool but also as a defensive tool, in the context of information security. Finally, the intelligence community itself is a complex network. It consists of various institutions at the national, regional, and private sector levels with their own resources and scope. All of these entities work together in joint efforts to ensure that national security and interests are protected (C. J. Jensen et al., 2013).

Intelligence possesses several specific characteristics that are not commonly found or are not ordinary in other professions. Some of these characteristics include precision in identification, acumen in forecasting, and the ability to provide early warnings. In the realm of intelligence, 'judgment' is interpreted as the process of interpreting and understanding various situations such as cases, events, trends, and policies. This is the initial stage in analyzing strategic issues after successfully identifying the problem accurately. Accuracy in judgment facilitates further analysis steps. Furthermore, 'forecasting' is thinking that presents a vision of potential changes in the future situation with various estimation methods, ranging from analog, causative, cyclic, trajectory, to probability forecasting. Finally, 'early warning' provides an overview of potential hazards, risks, or impacts that may occur in the future, considering both measurable and immeasurable types of risks (Sugirman, 2009).

In the legal provisions regarding state intelligence, the role of state intelligence has been regulated. This role is to carry out steps, activities, and actions for early detection and early warning in order to prevent, eliminate, and overcome all forms of threats that have the potential to disrupt national interests and security (Presiden RI, 2011). One form of state intelligence at the ministry level is tax intelligence. Tax intelligence activities have the main goal of obtaining reliable and accurate information for tax purposes. This includes various activities such as intelligence operations, intelligence analysis, and security. In its implementation, the activities carried out by tax intelligence are conducted by the Regional Office of the Directorate General of Taxes (DJP) and the Directorate of Tax Intelligence. The process involves a series of stages ranging from planning, data collection, processing, to the presentation of intelligence results. The results of these activities, presented in the form of reports, will serve as the basis for decision-making in the tax department and can be disseminated to relevant units if necessary (Kementerian Keuangan RI, 2019).



Strategy is a collection of 'ends,' 'ways,' and 'means.' This concept can be explained as an equation where strategy is the combination of 'ends' (desired objectives) with 'ways' (action steps) and 'means' (tools used to achieve the objectives). This main idea can serve as the foundation for developing various types of strategies, such as military, political, economic, and so on, depending on the components of national power activated (Lykke, 1997). By using the basic understanding of strategy, which means strategy is a combination of 'ends,' 'ways,' and 'means,' an intelligence strategy can be built. Here, 'ends' can be articulated as the objectives of intelligence. The ultimate goal of an intelligence strategy is to prevent, counter, and mitigate threats to national interests and security. 'Ways' involve various ways of applying intelligence capabilities. Essentially, this is an analysis of the steps designed to achieve intelligence objectives. 'Means' refer to all intelligence resources such as personnel, equipment, funds, needed to accomplish the mission. Intelligence resources serve to demonstrate capabilities. Therefore, it can be concluded that an intelligence strategy is a combination of intelligence objectives, intelligence methods, and intelligence resources.

Theories of Tax

Tax is an essential tool for the state. As stated by Prof. Dr. H. Rochmat Soemitro, S.H., tax is a contribution from the people to the state imposed based on regulations and does not receive direct compensation. A similar definition is voiced by Prof. Dr. P.J.A. Andriani, emphasizing the aspect of the public's contribution without receiving direct benefits in return. Tax, in the view of Sommerfeld Ray M, Anderson Herschel M, and Brock Horace R, is seen as a transfer of resources from the private sector to the government. Meanwhile, Dr. Soeparman Soemahamidjaya regards tax as a mandatory contribution collected to achieve the welfare of society. All these perspectives indicate that the essence of tax is a compulsory contribution by taxpayers to the state according to regulations. Tax has specific characteristics, including the transfer of wealth from the private sector to the government, the ability of tax collection to be enforced, and its use for public purposes. Without taxes, the state would struggle to finance programs aimed at creating prosperity for the people (Sihombing & Sibagariang, 2020).

Financial data from privately held companies can increase the risk of tax avoidance, a problem faced by many developing countries. Tax avoidance means taxpayers exploit tax laws to reduce tax liabilities legally, for example by treating income as capital gains subject to lower tax rates or receiving tax-free allowances instead of taxable wages. These actions are considered legal, and their impacts can be predicted. On the other hand, tax evasion involves illegal actions to conceal taxable income from authorities. Examples include not reporting income from gambling or failing to submit tax returns on time. These actions are prohibited, and the consequences are uncertain, depending on the likelihood of taxpayers being caught by authorities (Tresch, 2015).

Another example of tax avoidance strategy is by shifting profits between countries. Multinational companies can transfer profits from high-tax countries to low-tax countries to reduce the taxes they have to pay. Some tactics to achieve this include borrowing money in high-tax countries for use in global investments. Additionally, companies can leverage the potential tax deduction on interest payments from taxable income, which is a characteristic feature in corporate taxation. In low-tax countries, companies provide loans to reduce taxes on interest income received. Another common strategy is setting transfer prices (Tresch, 2015).

Profit shifting is a tactic that exploits inconsistencies and gaps in tax regulations. This strategy makes profits appear to vanish from tax obligations or shifts them to countries with minimal activity but low tax rates, allowing companies to either not pay taxes or pay less. There are several reasons why profit shifting is important to discuss, even though it is considered legal. Firstly, profit shifting can disrupt the balance of competition. Companies with cross-border operations can exploit profit shifting opportunities, giving multinational companies an



advantage over local businesses. Secondly, it can lead to misallocation of resources by influencing investment decisions towards activities with low pre-tax profits but high after-tax profits. And finally, this issue relates to fairness. When taxpayers, including ordinary individuals, see large companies avoiding taxes legally, it can reduce voluntary tax compliance from all parties (OECD, 2015).

A multinational companies can be defined as a business entity that operates in multiple countries. If a company only exports with the assistance of non-affiliated distributors or transfers intangible assets through contracts such as licenses or franchises, then the company is not considered a multinational companies. A company is regarded as multinational based on how it expands hierarchical control across national borders, such as through sales or production subsidiaries. The expansion of multinational companies abroad is influenced by location and management decisions. Additionally, tax considerations play a crucial role. For example, by using internalization methods, companies can manipulate transfer prices across countries to favor locations with lower taxes. Through vertical integration, external transactions are transformed into internal ones, allowing for nominal price adjustments without altering total revenue. This provides opportunities for multinational companies to shift profits to countries with lower tax rates, minimize import duties, and recognize profits as costs. However, these opportunities are constrained by global commodity prices and the skills of tax authorities (Pitelis & Sugden, 2005).

The agency theory represents a departure from the normative aspects typically emphasized in existing literature. Existing literature predominantly focuses on the normative aspects of agency relationships, namely determining contractual relationships (including incentive compensation) between principals and agents to provide appropriate incentives for agents to make choices that maximize the welfare of the principal, considering uncertainty and imperfect monitoring. The agency theory almost entirely focuses on the positive aspects of the theory. It assumes that individuals can solve these normative problems, and by considering that only stocks and bonds can be issued as claims, the incentives faced by each party and the elements influencing the determination of a contractual equilibrium form can be understood, depicting the relationship between managers (the agent) of the company and external shareholders and bondholders (the principal) (M. C. Jensen & Meckling, 1976).

Theoretical Framework

Tax is a mandatory contribution that taxpayers must surrender to the state according to the provisions of the law. However, in reality, tax avoidance by multinational companies through profit shifting has resulted in Indonesia losing tax revenue of \$2,736.5 million annually. Therefore, it is important to conduct research that delves into the threat of tax avoidance by multinational companies through profit shifting. Based on the gap between expectations and reality, the discussion of the issues in this research will focus on the causes of the threat of tax avoidance by multinational companies through profit shifting. This research will also discuss intelligence strategies in addressing the threat of tax avoidance.

In analyzing the research problem, several relevant theories will be used as a reference framework. These theories include the threat theory articulated by Prunckun and Sukarno; intelligence theory explained by Jensen, Sugirman, and Lykke; as well as tax theory elaborated by Tresch, OECD, and Pitelis and Sugden. This research aims to prevent tax avoidance by multinational companies through profit shifting (output) and safeguard national interests and security (outcome). Based on this framework, the preliminary formulation or research propositions are: 1) the causes of the threat of tax avoidance by multinational companies through profit shifting can be attributed to the intention and capability to undermine tax revenue, and 2) intelligence strategies in addressing the threat of tax avoidance by multinational



companies through profit shifting can consist of a combination of intelligence objectives, intelligence methods, and intelligence resources.

METHODS

This research utilizes a qualitative method to elucidate the threat of tax avoidance by multinational companies through profit shifting. The qualitative research method was chosen because it allows for in-depth exploration of real-world practices in natural settings, understanding the complexity, motives, and tactics of companies. This approach is flexible, allowing for adjustments as the research progresses, and effective in uncovering patterns and layers of meaning that may be overlooked in quantitative analysis. Therefore, the qualitative approach is considered capable of providing rich insights into the complex, diverse, and dynamic issue of tax avoidance.

This research uses data sourced from interviews and literature studies to elucidate the threat of tax avoidance by multinational companies through profit shifting. The research employs semi-structured interview data collection techniques to explain the threat of tax avoidance by multinational companies through profit shifting. Semi-structured interviews were chosen because the research aims to provide in-depth understanding of the phenomenon while maintaining a level of consistency and structure in data collection.

This research employs purposive sampling technique to select specific data sources or informants based on certain criteria or relevant considerations aligned with the research objectives. By using this method, the researcher aims to ensure that the chosen informants possess characteristics, experiences, or knowledge essential for gaining in-depth insights into the issue or phenomenon under investigation. The goal is to obtain the most relevant and meaningful information in the context of the research problem being addressed. Based on these criteria, to elucidate the threat of tax avoidance by multinational companies through profit shifting, this study selects informants who have information, experience, expertise, or educational background in the field of intelligence and tax avoidance by multinational companies through profit shifting. Based on these criteria, the research interviews five informants from the State Intelligence Agency and the Directorate General of Taxes. The study was conducted from August 2023 to March 2024. Additionally, this research employs literature review to explain the threat of tax avoidance by multinational companies through profit shifting. The researcher seeks to understand this phenomenon based on existing literature and previous findings.

This research utilizes the Creswell analysis technique to elucidate the threat of tax avoidance by multinational companies through profit shifting. First, data is collected from various sources such as interview transcripts, books, journals, and tax regulation documents. Once all the data is gathered, the researcher needs to read through the entire dataset to gain an overview. The next step is data coding, where relevant information is labeled with codes. These codes are then categorized based on themes, namely the causes of the threat and intelligence strategies. Finally, the research findings are presented in narrative form and supplemented with visuals to illustrate the findings, thus providing a comprehensive understanding of the threat of tax avoidance by multinational companies through profit shifting. Additionally, this study employs Nvivo software for processing and analyzing interview data regarding the threat of tax avoidance by multinational companies through profit shifting. The functions within the Nvivo application can be utilized to deepen the analysis and provide clearer insights.

This research employs credibility testing to examine the authenticity of data, particularly through triangulation of data sources. Triangulation of data sources refers to collecting information from three different informant sources to ensure the reliability and validity of the obtained data. When researchers conduct interviews or gather data from three different



informants (A, B, and C) who work in similar or comparable capacities (as intelligence personnel), the aim is to compare and correlate the information obtained from all three. If the information from these three sources is consistent and mutually supportive, then confidence in the validity of the data increases. However, if inconsistencies arise, researchers can conduct further investigation to understand the reasons and determine which data is more reliable.

RESULTS AND DISCUSSIONS

Results

This study utilizes interview data from five intelligence officers as informants who are considered to have knowledge and experience in dealing with the threat of tax avoidance by multinational companies through profit shifting. One informant is from the State Intelligence Agency, while the other four informants are from the Directorate General of Taxes. The backgrounds of the informants vary in terms of their positions, but they all work as intelligence officers. The real names of the informants are not disclosed in this study for confidentiality reasons. The names used for the informants in this study are Aswin, Bayu, Cakra, Danapati, and Endra. The interview results from these five informants are compiled in the form of interview transcripts, which are then inputted into the Nvivo application for processing and analysis.

Figure 1. Most Frequently Used Words in Interview Results

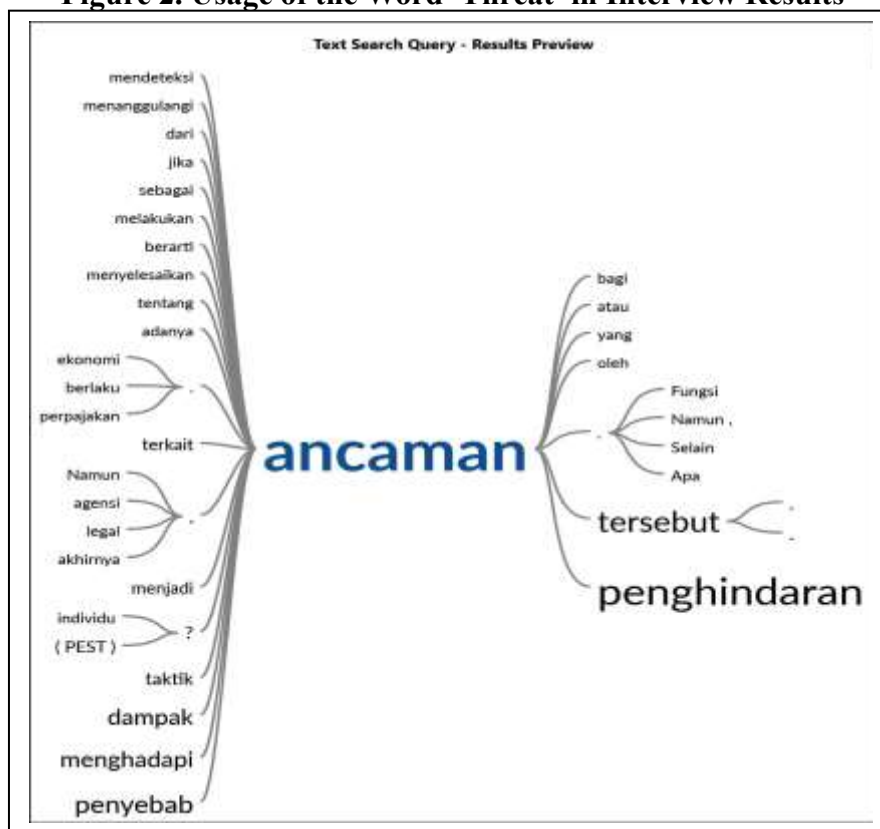


Source: Author's Analysis Using Nvivo (2024)

At the initial stage of data processing, the researcher used the Word Frequency function in the Nvivo application to determine the frequency of words appearing in the interview results. The researcher inserted Stop Words or words to be excluded to make the data processing more informative and relevant, such as 'is', 'or', 'how', 'in', 'can', and so on. Based on the Nvivo processing results, the word 'tax' emerged as the most frequently occurring word with a total of 141 occurrences and a frequency of 5.70 percent from the interview results. Additionally, following 'tax', the next most frequently occurring words were 'threat', 'company', 'avoidance', 'intelligence', and so forth. The researcher configured the data processing to generate the top 20 most frequently occurring words, each consisting of at least four letters, to ensure clear and organized data presentation. The results of the Word Frequency function in Nvivo were then presented in the form of a Word Cloud in Figure 1.



Figure 2. Usage of the Word 'Threat' in Interview Results



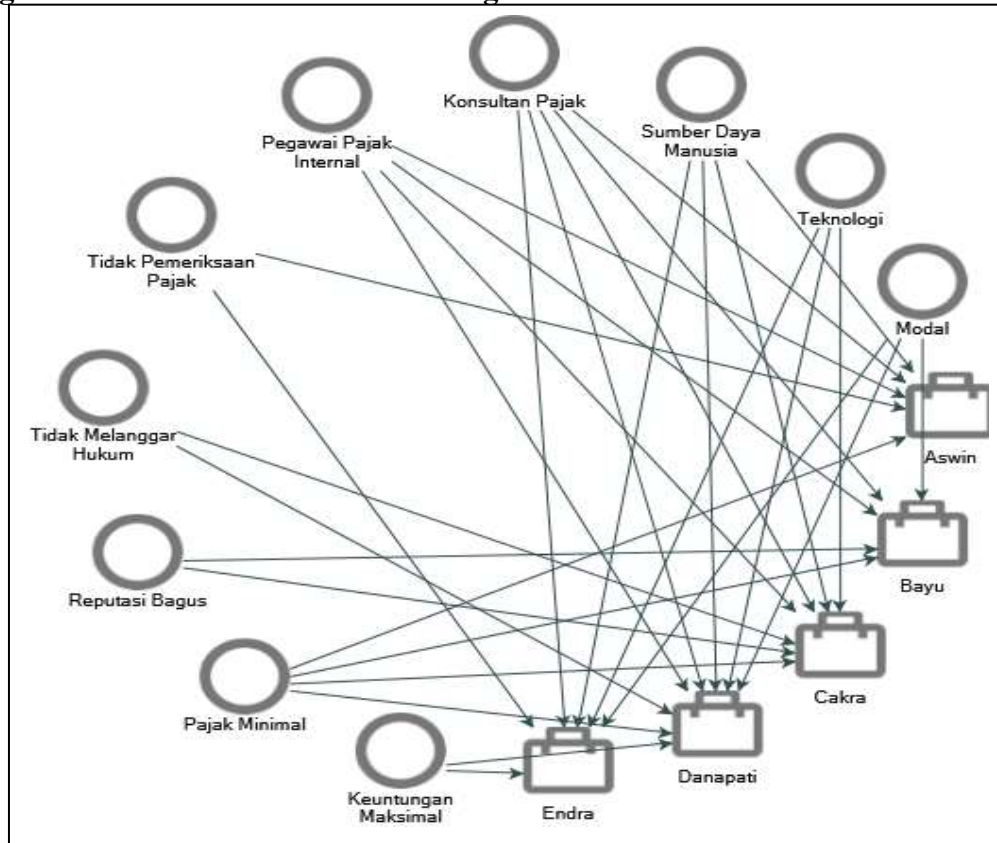
Source: Author's Analysis Using Nvivo (2024)

At the next stage, the researcher employed the Text Search function in the Nvivo application to understand the meaning of the most frequently occurring words from the interview results. Although the word 'tax' ranked first in word frequency, the researcher chose the word 'threat' which ranked second as the keyword for data processing. This decision was made because the focus of this study is more on intelligence analysis in dealing with threats, rather than tax studies. Based on the processing results in Nvivo, the word 'threat' was most frequently used in contexts such as 'tax avoidance threats', 'causes of threats', 'facing threats', 'threat impacts', 'threat tactics', and so forth. To provide a clearer data presentation, the data processing displayed branching sequences according to frequency from smallest to largest, and only displayed one word before and after the keyword or root. The results of the Text Search function in Nvivo are then presented in the form of a Word Tree in Figure 2.

The data processing results in the form of Word Cloud and Word Tree above assist the researcher in labeling or coding the interview results. This coding is done through the Coding function in the Nvivo application according to the themes and research questions. From the Word Tree results above, the researcher coded with the theme of 'causes of threats'. Additionally, the researcher also coded with the theme of 'intelligence strategies' in dealing with tax avoidance threats by multinational companies through profit shifting. After coding all the interview results from the five informants, the researcher used the Project Map function in the Nvivo application to present the interview results along with data source triangulation.



Figure 3. Interview Results and Triangulation of the Theme 'Causes of Threats'

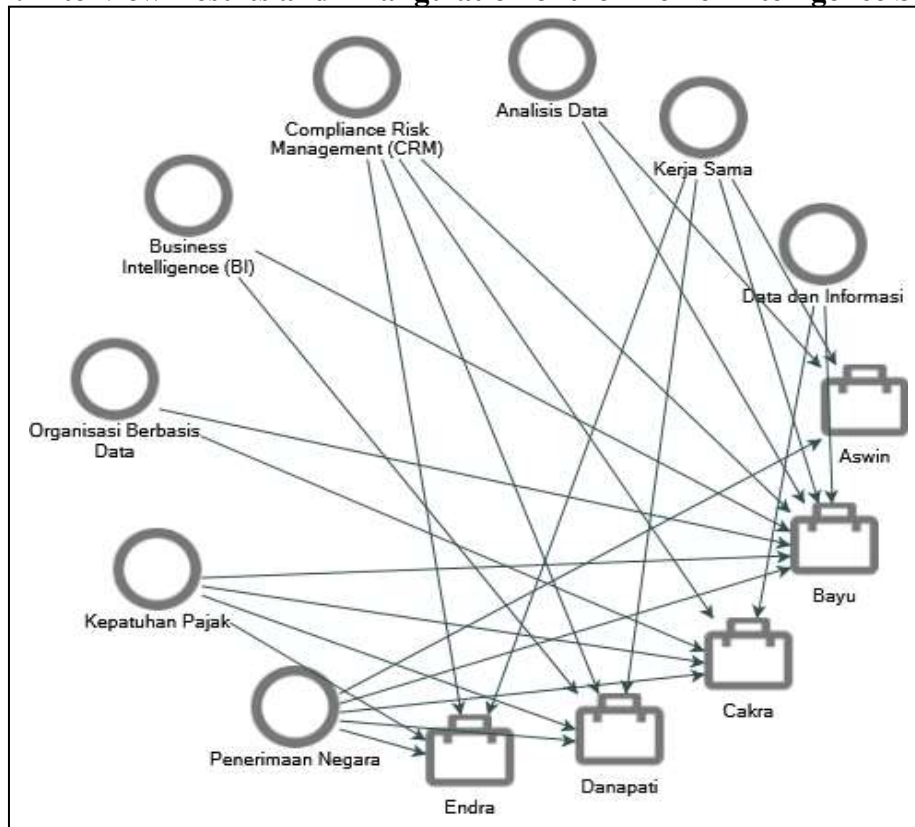


Source: Author's Analysis Using Nvivo (2024)

The results of the Nvivo Project Map function on the theme 'causes of threats' are presented in a map format as shown in Figure 3. According to the interview results, the causes of tax avoidance threats by multinational companies through profit shifting include maximum profit, minimal taxes, good reputation, compliance with the law, no tax audits, internal tax employees, tax consultants, human resources, technology, and capital. Furthermore, data triangulation was conducted by comparing the answers from the five informants. Five informants provided answers regarding tax consultants. Four informants provided answers regarding minimal taxes, internal tax employees, and human resources. Three informants provided answers regarding technology and capital. Two informants provided answers regarding maximum profit, good reputation, compliance with the law, and no tax audits. The answers from these five informants showed similarities, resemblances, and mutual support from at least two informants. Therefore, the data is deemed valid and reliable for use in research analysis.



Figure 4. Interview Results and Triangulation of the Theme 'Intelligence Strategies'



Source: Author's Analysis Using Nvivo (2024)

The results of the Project Map function in NVivo regarding the theme of 'intelligence strategy' are presented in a map format as shown in Figure 4. According to the interview results, intelligence strategy in dealing with tax avoidance threats by multinational companies through profit shifting includes state revenue, tax compliance, Data-Driven Organizations, Business Intelligence (BI), Compliance Risk Management (CRM), data analysis, cooperation, as well as data and information. Furthermore, data source triangulation was conducted by comparing responses from the five informants. Five informants provided responses regarding state revenue. Four informants provided responses regarding tax compliance, Compliance Risk Management (CRM), and cooperation. Two informants provided responses regarding Data-Driven Organizations, Business Intelligence (BI), data analysis, as well as data and information. In the responses from these five informants, there are similarities, resemblances, and mutual support from at least two informants. Therefore, the data is deemed valid and reliable, thus can be used in research analysis.

Discussions

The Causes of the Threat of Tax Avoidance

The discussion of this research begins with an explanation of the causes of tax avoidance threats by multinational companies through profit shifting in Indonesia. According to the interview results, the causes of tax avoidance threats by multinational companies through profit shifting include maximizing profits, minimizing taxes, maintaining a good reputation, complying with laws, avoiding tax audits, having internal tax personnel, engaging tax consultants, human resources, technology, and capital. These data are then discussed using Prunckun's theory of threat analysis. According to Prunckun, a threat involves the intention (desire and expectation) and capability (knowledge and resources) to harm a target.

The desire of companies to achieve maximum profit and minimize taxes is the main cause of tax avoidance threats by multinational companies through profit shifting. This is



consistent with the findings of a study conducted by Kusumah & Purba (2021), which states that the higher the level of profit of a company, the greater the likelihood that the company will use tax avoidance strategies. This level of profit can be used as an indicator to assess or calculate a company's income over a specific period. Large profits can increase the tax burden that must be paid, leading companies to tend to employ tax avoidance tactics.

The expectations of companies, which are the causes of tax avoidance threats by multinational companies through profit shifting, include maintaining a good reputation, complying with the law, and avoiding tax audits. This aligns with the findings of a study conducted by Arieftiara et al. (2015), which states that in Indonesia, companies focusing on maintaining market position and customer trust tend to safeguard their stability by avoiding high levels of tax avoidance activities. This is due to the potential damage to the company's reputation or image caused by such practices. If a tax audit reveals that a company is paying lower taxes than it should, there is a risk of tax penalties. On the other hand, some companies seek to control costs by engaging in tax avoidance, leveraging loopholes in tax regulations, or carefully designing tax planning. These practices are legitimate if conducted in accordance with the law.

The knowledge within companies that contributes to the threat of tax avoidance by multinational companies through profit shifting includes internal tax personnel and tax consultants. This is in line with the findings of a study conducted by Ulhaq & Fadjarenie (2022), which states that companies led by boards of directors with expertise in taxation have a significant positive impact on tax avoidance practices. Furthermore, the presence of tax consultants, especially those who previously worked as government officials, also has a considerable positive influence on tax avoidance. The utilization of skills and experiences from tax experts, particularly those who have previously served as government officials, indicates an increased tendency for companies to engage in tax avoidance. Employing tax consultants who were formerly government officials can facilitate companies in tax planning as they usually possess in-depth knowledge of tax regulations, more so than those who are not former government officials.

The company resources that contribute to the threat of tax avoidance by multinational companies through profit shifting include human resources, technology, and capital. This is consistent with the findings of a study conducted by Prasetya & Venusita (2023), which states that there is an impact of intellectual capital on tax avoidance practices. Intellectual capital refers to the knowledge assets possessed by an entity, which can be utilized to enhance value creation. Intellectual capital is divided into three elements: human capital, structural capital, and relational capital. Human capital encompasses knowledge resources, skills, and competencies that contribute to a company's operations. Structural capital includes organizational capabilities, such as organizational culture, strategy, procedures, routines, information systems, technology, and infrastructure that support employees in producing optimal intellectual value. Relational capital involves the financial resources owned by the company. With the respective advantages of each component of intellectual capital, multinational companies can optimize these resources to engage in tax avoidance practices.

Table 1. Threat Scale

Threat Level	Scores	Coefficient
Negligible	1	4 – 6
Minimum	2	7 – 10
Medium	3	11 – 15
High	4	16 – 18
Acute	5	19 – 20

Source: Prunckun (2015)



The researchers then assessed the level of threat posed by the research findings using a threat scale based on Prunckun's theory, as presented in Table 1. There are five levels of threat: 'negligible', 'minimum', 'medium', 'high', and 'acute'. The assessment of the threat level was then documented in Table 2, revealing that the coefficient of threat posed by tax avoidance by multinational companies through profit shifting is scored 16, indicating a high-level threat. Meanwhile, the basis for assessing the threat level will be explained in the following paragraph.

Table 2. Threat Level Assessment

Prunckun's Theory	Research Results	Scores
Desire	Maximize profits and minimize taxes.	4
Expectation	Good reputation, legal compliance, and avoid tax audits.	3
Total Intent		7
Knowledge	Internal tax personnel and tax consultants.	5
Resources	Human resources, technology, and capital.	4
Total Capability		9
Threat Coefficient		16

Source: Author's Analysis (2024)

The category of 'Desire' is assigned a value of 4 because the desire of multinational companies to maximize profits and minimize taxes reflects a strong motivation to engage in tax avoidance practices through profit shifting. This desire indicates a significant intention to harm the target, namely tax revenue. In the context of Prunckun's theory, this desire reflects a high-level threat because it demonstrates a strong intention to endanger tax revenue.

The category of 'Expectation' is assigned a value of 3 because the expectation of companies to maintain a good reputation, legal compliance, and avoid tax audits is aligned with tax avoidance practices through profit shifting. Although this expectation also reflects an intention to achieve desired goals, the risk is more moderate because it does not directly pose serious danger to the target. In the context of Prunckun's theory, this expectation is considered a moderate threat because it indicates a weaker intention to endanger tax revenue.

The category of 'Knowledge' is assigned a value of 5 because the knowledge possessed by internal tax personnel and tax consultants provides significant capability to design complex and effective tax avoidance strategies. This knowledge enables companies to implement tax avoidance practices more carefully and efficiently, increasing the potential negative impact on the target. In the context of Prunckun's theory, this knowledge is considered an acute threat because it indicates a highly significant capability to endanger tax revenue.

The category of 'Resources' is assigned a value of 4 because the human resources, technology, and capital possessed by the company support the implementation of tax avoidance practices through profit shifting. These resources provide the capability for the company to design and execute tax avoidance strategies more carefully and efficiently. In the context of Prunckun's theory, these resources are considered a high-level threat because they demonstrate a significant capability to endanger tax revenue.

The Intelligence Strategies in Addressing the Threat of Tax Avoidance

The discussion of this research is continued with an explanation of intelligence strategies in addressing the threat of tax avoidance by multinational companies through profit shifting in Indonesia. According to the interview results, intelligence strategies in addressing the threat of tax avoidance by multinational companies through profit shifting include state revenue, tax compliance, Data-Driven Organizations, Business Intelligence (BI), Compliance Risk Management (CRM), data analysis, cooperation, as well as data and information. These data are then discussed using Lykke's theory of strategy. According to Lykke, strategy is a combination of goals, methods, and resources. This concept can serve as the basis for strategies



in various fields, so in this study, intelligence strategy is a combination of intelligence goals, intelligence methods, and intelligence resources.

The goals as intelligence strategies in addressing the threat of tax avoidance by multinational companies through profit shifting are state revenue, tax compliance, and Data-Driven Organizations. This aligns with the findings of a study conducted by DJP (2022), which states that with the transformation of the Directorate General of Taxes into a Data-Driven Organization, it is hoped that DJP's vision as a reliable nation-building partner in collecting state revenue through the efficient, effective, integrity-based, and fair administration of taxation can be achieved. Additionally, the accomplishment of DJP's mission to enhance tax compliance through quality and standardized services, education, effective supervision, and fair law enforcement is also expected to be realized.

The methods as intelligence strategies in addressing the threat of tax avoidance by multinational companies through profit shifting are Business Intelligence (BI), Compliance Risk Management (CRM), and data analysis. This aligns with the findings of a study conducted by DJP (2022), which states that BI is a process aimed at enhancing the value of data into information and understanding that can be utilized in decision-making by an organization. Depending on the type of data analysis performed, BI can be distinguished into Prescriptive Analysis, Predictive Analysis, Diagnostic Analysis, and Descriptive Analysis. Examples of BI implementation at DJP include Revenue Dashboard, Smartboard, Ability to Pay, and CRM. This also corresponds to the research by Saptono & Khozen (2021), which states that monitoring tax compliance by taxpayers through a CRM approach has been implemented in various countries, including Indonesia. In Indonesia, CRM implementation is focused on systematically and structurally managing taxpayer compliance risks.

The above is also consistent with the research by Chooi (2020), which states that continuous monitoring becomes an essential need to support proactive responses to emerging issues that may impact CRM in revenue agencies. These changes involve the possibility of emerging disruptive new business models (such as cryptocurrencies), new business sectors (such as peer-to-peer businesses), and changes in behavior (such as profit shifting methods). This monitoring is typically handled by various revenue agencies through the establishment of scanning and environmental research programs, often within specialized CRM units. In addition to providing research capabilities, CRM units are also responsible for strengthening data management and analytical capabilities to support CRM effectiveness. Effective data usage supports quicker, fairer, and more sustainable decision-making, as well as improved taxpayer services. The implementation of new techniques such as predictive modeling and social network analysis also supports the development of better policies and systemic approaches to prevent and early detect potential non-compliance.

Resources as intelligence strategies in addressing the threat of tax avoidance by multinational companies through profit shifting are cooperation and data and information. This aligns with the findings of a study conducted by Butarbutar (2022), which states that strategies adopted by multinational companies to avoid taxes involve practices such as tax treaty shopping, transfer pricing practices, and establishing Permanent Establishments in countries with low tax rates. To address multinational companies engaged in BEPS practices in the digital economy sector, global-level actions are required. All countries are expected to develop and revise tax laws and regulations related to taxation in the context of e-commerce and the digital economy. Moreover, international cooperation is imperative, both through bilateral and multilateral tax agreements, including cooperation in country-by-country reporting.



CONCLUSION

Summary

The causes of the threat of tax avoidance by multinational companies through profit shifting lie in both the intention (desire and expectation) and the capability (knowledge and resources) to endanger tax revenue. The desire of multinational companies is to maximize profits and minimize taxes, while their expectation is to maintain a good reputation, comply with laws, and avoid tax audits. Multinational companies possess knowledge through internal tax personnel and tax consultants. Their resources include human resources, technology, and capital. Additionally, based on the assessment of threat levels, it is known that the coefficient of the threat of tax avoidance by multinational companies through profit shifting is scored 16, indicating a high-level threat.

Intelligence strategies in addressing the threat of tax avoidance by multinational companies through profit shifting are indeed a combination of intelligence goals, intelligence methods, and intelligence resources. Intelligence goals include state revenue, tax compliance, and Data-Driven Organizations. Intelligence methods encompass Business Intelligence (BI), Compliance Risk Management (CRM), and data analysis. Intelligence resources consist of cooperation and data and information. This comprehensive approach ensures a well-rounded strategy to effectively counter tax avoidance practices by multinational companies through profit shifting.

Suggestions

Intelligence agencies like the State Intelligence Agency and the Directorate General of Taxes must continuously detect tax avoidance based on available information, enabling further examination. This is aimed at minimizing the expectation of companies, which is one of the causes of tax avoidance, namely maintaining a good reputation, complying with laws, and avoiding tax audits. Additionally, the Directorate General of Taxes should continue to foster collaboration with various parties to swiftly obtain data and information while ensuring data integrity. This is crucial for detecting tax avoidance through data analysis. Finally, the Directorate General of Taxes should consistently enhance Compliance Risk Management (CRM) to serve as a reliable and valid basis for determining priority companies for oversight. This is done to detect tax avoidance and improve tax compliance in Indonesia.

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