

**IMPACT OF FOREIGN RELATED PARTY TRANSACTIONS, THIN CAPITALIZATION, AND SIGNIFICANT FOREIGN OWNERSHIP ON TAX AVOIDANCE: STUDY OF AGENCY THEORY AND COST-BENEFIT THEORY**

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**ABSTRACT**

This exploration plans to look at the factors that trigger the act of expense evasion in non-monetary organizations involving various relapse as a logical technique. The example in this study are non-monetary organizations on the IDX for the period 2019 to 2021. The discoveries from this study are connected party exchanges, slight capitalization, and unfamiliar possession are determinants of tax avoidance. Related party exchanges and slender capitalization are observationally demonstrated to increment tax avoidance. Alternately, unfamiliar possession can decrease tax avoidance. The consequences of this exploration can help the public authority and expense specialists to regulate charge aversion rehearses. Moreover, they need to give close consideration to the organization's exchanges with unfamiliar gatherings. This exploration adds unfamiliar proprietorship as a determinant of expense evasion rehearses.

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**Keywords:** Foreign Ownership, Tax Evasion, Thin Capitalization, Related Party Transactions.

**INTRODUCTION**

The study of accounting and tax evasion has an important meaning in developing the Indonesian economy. Based on research conducted by the OECD, in 2021 Indonesia's tax ratio is ranked third lowest among countries in Asia Pacific. Corporate income tax is part of tax revenue which contributes a lot to total tax revenue on average by 17% during 2018-2020. Be that as it may, the accomplishment of corporate PPh 25/29 of

every 2018-2020 has not reached 100 percent of the objective set by the public authority. Organizations' reluctance to bear an enormous taxation rate is the explanation organizations attempt to keep away from charges, specifically endeavors to limit charges by exploiting escape clauses in charge guidelines (Badertscher et al., 2019; Lampenius et al., 2021). This is on the grounds that expenses become a material expense for organizations and can diminish income for proprietors

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(Suranta et al., 2019). There is a tradeoff as far as monetary and charge revealing looked by directors when confronted with navigation. At the point when chiefs attempt to increment pay on fiscal reports, they will cause higher expense expenses, as well as the other way around. Tax avoidance alludes to all exchanges that bring down an organization's duty responsibility (Kemme et al., 2017; Weerasekera, 2018). higher expenses will be charged, as well as the other way around. Tax avoidance alludes to all exchanges that bring down an organization's expense obligation (Kemme et al., 2017; Weerasekera, 2018). higher expenses will be charged, as well as the other way around. Tax avoidance alludes to all exchanges that bring down an organization's expense responsibility (Kemme et al., 2017; Weerasekera, 2018).

This research uses cost and benefit theory and agency theory as a reflection in looking at the determinants of tax evasion cases. The cost and benefit theory focuses on how decisions are taken by considering the possible impact of an (Finér and Ylönen, 2017; Hasan et al., 2021). The benefit of tax avoidance is that there is an increase in available cash flow for the company and an increase in dividends distributed to company shareholders (Mangoting et al., 2021; Mason et al., 2020). Tax avoidance practices can also create costs for companies. Some of the costs incurred are the company's reputation risk which can threaten the company's existence in the public eye (Alstadsæter et al., 2019; Salihu et al., 2015).

Cost and benefit theory is used as a basis for tax avoidance practices and is associated with mechanisms for foreign related party transactions and thin capitalization. The practice of tax avoidance occurs as a result of agency problems arising because there are differences in the information held between management and owners (Finér & Ylönen, 2017; Hasan et al., 2021). Alkurdi and Mardini (2020) expressed that administration satisfies its own advantages by expanding remuneration through higher pay and expanded execution, while proprietors need to limit charge expenses and spotlight on expanding the worth of their portions. Hence, unfamiliar

proprietorship is utilized to connect this organization issue.

The act of duty evasion happens because of organization issues emerging in light of the fact that there are contrasts in the data held among the executives and proprietors (Finér and Ylönen, 2017; Hasan et al., 2021). Alkurdi and Mardini (2020) expressed that administration satisfies its own advantages by expanding remuneration through higher pay and expanded execution, while proprietors need to limit charge expenses and spotlight on expanding the worth of their portions. Accordingly, unfamiliar possession is utilized to connect this office issue. The act of duty evasion happens because of organization issues emerging in light of the fact that there are contrasts in the data held among the board and proprietors (Finér and Ylönen, 2017; Hasan et al., 2021).

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Several previous studies on the determinants of tax avoidance have been carried out, but still show mixed results. In addition, it also does not describe the latest phenomena and regulations. First, previous research related to related party transactions (RPT) and tax evasion shows that RPT has a positive effect on tax evasion (Amidu et al.,

2019; Beebejaun, 2018; Doo & Yoon, 2020; Nainggolan & Sari, 2019; Taylor & Richardson, 2012). RPT allows companies to set favorable transfer prices (Sari et al., 2020). This finding is different from the results of Ariyanto's (2020) which found that RPT can reduce tax evasion.

In addition, the results of Darma's research (2019), Ermasova et al. (2021), and Yee et al. (2017) found evidence that RPT does not affect tax evasion. Second, previous research on thin capitalization found evidence that when a company has greater debt than its capital, it will encourage tax evasion (Khalil & Sidani, 2020; Ngah et al., 2022; Shim et al., 2022). As for Amidu et al. (2019) and Dupuis et al. (2021) proves that thin capitalization tends to reduce tax avoidance practices. Different results were shown by Wong et al. (2015) which states that the company's capital structure has nothing to do with tax avoidance. Third, significant share ownership has a strong influence in influencing decision making and determining company policy. Research on foreign ownership and tax evasion has been previously studied by Alkurdi & Mardini (2020) whose results state that foreign ownership in companies encourages tax evasion.

As for Chung et al. (2019) and Wang et al. (2022) found evidence that foreign ownership actually makes companies comply with tax regulations and avoid tax evasion. On the other hand, research by Amara et al. (2020) and Damayanti & Prastiwi (2017) state that the presence of foreign owners has nothing to do with tax evasion. They found evidence that foreign ownership actually makes companies comply with tax regulations and avoid tax evasion. On the other hand, research by Amara et al. (2020) and Damayanti & Prastiwi (2017) state that the presence of foreign owners has nothing to do with tax evasion. Amara et al. (2020) found evidence that foreign ownership actually makes companies comply with tax regulations and avoid tax evasion. On the other hand, research by Amara et al. (2020) and Damayanti & Prastiwi (2017) state that the presence of foreign owners has nothing to do with tax evasion.

The novelty of the research lies in: first, this research combines financial and non-financial factors of companies as determinants

of tax avoidance practices. In terms of financial factors, researchers are interested in looking at foreign related party transaction variables and thin capitalization because both are popular and dominant international tax avoidance mechanisms (Shim et al., 2022; Taylor & Richardson, 2012).

In addition, this study uses non-financial corporate governance factors, namely foreign ownership because multinational companies cannot be separated from foreign interests, one of which is characterized by the presence of foreign ownership in the company (Alstadsæter et al., 2019; Salihu et al., 2015; Nainggolan & Sari, 2019). Second, the use of 2018-2020 as the research period. Previous research also used the time period prior to the implementation of PMK Number 169 of 2015 regarding thin capitalization and PMK Number 213 of 2016 regarding the rules for reporting transactions with affiliated parties.

This study was carried out after the enactment of the latest PMK Number 169.PMK.010/2015 so that the measurement of the thin capitalization variable has been adjusted to this regulation. The reason for using 2018 is because this year is the period after the tax amnesty was implemented in Indonesia. 010/2015 so that the measurement of the thin capitalization variable has been adjusted to this regulation. The reason for using 2018 is because this year is the period after the tax amnesty was implemented in Indonesia. 010/2015 so that the measurement of the thin capitalization variable has been adjusted to this regulation. The reason for using 2018 is because this year is the period after the tax amnesty was implemented in Indonesia.

This research contributes to adding to the literature related to accounting and tax evasion. First, this research provides empirical evidence about international activities and foreign involvement which includes foreign related party transactions, thin capitalization, and foreign ownership with tax avoidance. Second, this research provides evidence that the significant proportion of foreign ownership in a company increasingly avoids actions that can cause losses to the company in the future, namely tax avoidance activities.

**METHODS**

The population of this study is non-financial sector companies on the Indonesia

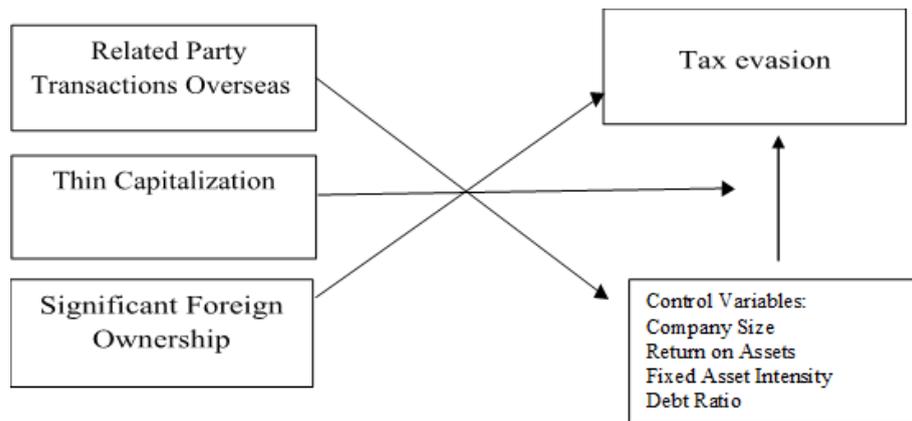
Stock Exchange (IDX) in the 2019-2021 period. The selection of research samples is shown in **Table 1**.

**Table 1. Sample Selection Process**

Sampling Criteria	Amount
Data on non-financial companies on the IDX for 2019-2021 except for companies in the construction, property, real estate, infrastructure and mining sectors	1.125
Unavailable financial reports for the period 2019-2021	(42)
Data on companies that experienced loss before tax or fiscal loss during the period 2019–2021	(384)
Data on companies that do not carry out sales and purchase transactions with related parties abroad for the period 2019-2021	(553)
data outliers	(23)
<b>Total observation data</b>	<b>123</b>

Based on **Table 1**, non-financial companies were chosen because tax evasion is very prone to be carried out in this sector, especially in the aspect of transactions with

foreign parties (Nurunnabi, 2019; Puspita et al., 2021). This action is inversely proportional to financial sector companies which are closely monitored by the competent authorities.



**Figure 1 Research Framework**

**Figure 1** shows the framework of this research. Based on **Figure 1**, this research was conducted to see the effect of foreign related party transactions, thin capitalization, and significant foreign ownership on tax evasion. In addition, there are several control variables included. The research equation model formed based on **Figure 1** is:

$$CUETR = \alpha + \beta_1RPT + \beta_2THIN\ CAP + \beta_3FORGSIG + \beta_4SIZE + \beta_5ROA + \beta_6CAPINT + \beta_7LEV + \varepsilon (i)$$

The explanation is as follows. The variable expense aversion (successful duty rate (CUETR)) incorporates dynamic assessment obstruction measures to limit the taxation rate by taking advantage of provisos in the shortcomings tracked down in charge

guidelines (Fox et al., 2014; Martins, 2017). Tax avoidance is unique in relation to tax avoidance since tax avoidance isn't illegal, however is finished through taking advantage of shortcomings in charge guidelines. This variable is estimated by the ongoing compelling duty rate (Current ETR) alluding to Alfiyah et al. (2022).

Current ETR is estimated by partitioning current duty cost by benefit before charge. Current duty cost is an expense cost equivalent to the material corporate personal duty rate which is determined from available benefit so it precisely mirrors the annual taxation rate borne by the organization during the ongoing year. Brown et al. (2015) and Ding et al. (2021) contend that the ongoing ETR can reflect tax avoidance since it in a roundabout way mirrors

the contrast between bookkeeping benefit and available benefit. Current ETR is a proper measure contrasted with different intermediaries like GAAP ETR and Money ETR (Lopez & Greenwald, 2022; Xu & Zheng, 2020).

There is a weakness in GAAP ETR measurement because in its calculation it uses the total tax burden which includes deferred tax burden so that it does not represent the tax burden borne by the company in the study period. The Cash ETR describes income tax that is actually paid in cash, but it does not only include the current year's tax expense so that the measurement results can be biased with other tax payments. Current ETR values that are getting smaller or far below the set corporate tax rate indicate that the company is carrying out tax evasion actions. Related party transactions (RPT) are defined as transactions/activities carried out between several parties that have a special relationship with the company.

Related parties in question are people or close family members and certain companies that have relations or are authorized to control and influence operational and financial decision-making. This relationship occurs because there are ties and related interests. It is important for related party transactions to be disclosed as a component of financial statements because financial reports are affected by the existence of special relationships and commitments that occur within them. RPT is measured by the quantity of associated party transactions described in the company's financial statements. This study focuses on the RPT variable on related party transactions abroad referring to the research of Nainggolan & Sari (2019) and Sari et al. (2020).

The calculation of the amount of RPT abroad refers to research by Wang et al. (2022) and Wong et al. (2015), namely by comparing the proportion of sales and purchases of related parties abroad with the company's total equity. RPT is measured by the quantity of associated party transactions described in the company's financial statements. This study focuses on the RPT variable on related party transactions abroad referring to the research of Nainggolan & Sari (2019) and Sari et al. (2020).

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*Thin capitalization* (THINCAP) leads to corporate financing decisions that prioritize debt over capital so as to form a capital structure with a dominant use of debt (Khalil & Sidani, 2020; Nurunnabi, 2019; Shim et al., 2022). Companies tend to choose to finance their companies with debt in order to recognize interest expense which is a component that can reduce taxable income (Nainggolan & Sari, 2019).

In Indonesia, the rules regarding the practice of thin capitalization are contained in PMK Number 169 of 2015 which states that the composition between debt and capital that is allowed is a maximum of 4:1. The thin capitalization variable is measured by the allowable debt ratio following research from Taylor & Richardson (2012). The first step is to calculate the difference between the average total assets and non-interest bearing liability, then the result is multiplied by the allowable debt limit, which is 80%. The second step is to determine the average debt, which is to calculate the company's total interest bearing liability. The final step is to calculate the allowable debt ratio. Values that are close to or greater than number 1 indicate that the company's thin capitalization practice is increasing.

Foreign ownership (FORGSIG) refers to the proportion of the number of foreign shares to the total number of company shares (Nainggolan & Sari, 2019; Wong et al., 2015). In PSAK 15, it is explained that a significant influence on share ownership is the authority to take part in determining operational decisions and financial policies in economic activities. A company is said to be foreign-owned if foreign shareholders contribute to a company through their participation in

decision-making (Qu et al., 2020). Significant foreign ownership in this study was measured by a dummy variable following the research of Alstadsæter et al. (2019), Salihu et al. (2015) and Wong et al. (2015), which is given a number of 1 for companies with foreign ownership of at least 20%,

The first control variable is company size, which is the size of an organization that can be realized by how big the total assets are (SIZE). Company size is calculated using the natural log of all company assets (Taylor & Richardson, 2012). Second, return on assets (ROA), which is the ratio to calculate the profitability or effectiveness of a company in using assets that generate profits. Third, the intensity of fixed assets (CAPINT), which describes the amount of investment in fixed assets in an entity. The measurement is by

comparing fixed assets with all of the company's assets (Shim et al., 2022). Fourth, the debt ratio (LEV) is measured by looking at the proportion between overall debt and total assets in the company (Sari et al., 2020).

This study uses multiple regression as an analytical tool. The selection of this tool was carried out considering the diverse nature of the data, ranging from metric and non-metric data. In addition, several previous studies also used similar testing steps (see Alstadsæter et al., 2019; Puspitasari et al., 2021; Shim et al., 2022; Taylor & Richardson, 2012).

## RESULTS AND DISCUSSION

### Regression test results

Tests in this study are reflected in **Table 2**.

**Table 2. Multiple Regression Test Results**

Variable	Coefficient
Coefficient	0.5063
Related Party Transactions	0.0159 (2,0332)*
<i>Thin Capitalization</i>	0.1371 (2,7264)*
Foreign Ownership	0.0355 (2,855)*
Company Size	0.0115 (2,1002)*
<i>Return on Assets</i>	0.1149 (2,1161)*
Fixed Asset Intensity	0.0567 (1.1979)
Debt Ratio	0.315 (3.8055)*
<i>Adjusted R squared</i>	0.1472

Based on **Table 2**, the equation of the test results is as follows:

$$\text{CUETR} = 0.5063 + 0.0159 \text{ RPTLN} - 0.1371 \text{ THINCAP} + 0.0355 \text{ FORGSIG} + 0.0115 \text{ SIZE} - 0.1149 \text{ ROA} + 0.0567 \text{ CAPINT} + 0.3150 \text{ LEV} + \varepsilon (i)$$

This equation gives the results of all independent variables having an influence on tax evasion. Foreign related party transactions and thin capitalization have a negative effect while foreign ownership has a positive effect

on tax evasion. On the other hand, only the asset use intensity variable is unable to influence tax evasion. The following explanation explains argumentatively the reasons behind this finding.

### Effect of related party transactions on tax avoidance.

**Table 2** shows that foreign related party transactions (RPTLN) have a significant negative effect on corporate tax evasion. The test results indicate that a company's foreign

related party transaction activities will encourage tax avoidance practices. This finding supports the results of previous research by [Amidu et al. \(2019\)](#), [Beebeejaun \(2018\)](#), [Doo & Yoon \(2020\)](#), [Nainggolan & Sari \(2019\)](#), and [Taylor & Richardson \(2012\)](#) that companies with a large volume of transactions with related parties tend to do tax evasion.

The issue of international tax avoidance is known along with the fast pace of globalization which has changed the structure of companies based on one country to become international based. Increasing cross-border transactions are used as loopholes and opportunities for companies to avoid taxes, one of which is through transactions with companies that have special relationships ([Amidu et al., 2019](#); [Wang et al., 2022](#)). The government has actually regulated the criteria for special relations that must be met by companies, namely fairness and customary business. However, laws and regulations can actually become loopholes for companies to avoid taxes because the fairness of a transaction is difficult to prove, especially if the transaction is carried out abroad ([Altadstaer et al., 2019](#); [Fox et al., 2014](#); [Martins, 2017](#)).

The increase in cross-border transactions is used as a loophole and opportunity for companies to avoid taxes, one of which is through transactions with companies that have special relationships ([Amidu et al., 2019](#); [Rathke et al., 2021](#)). Through the implementation of foreign related party transactions, companies can perform revenue transfers and transfer pricing mechanisms to avoid taxes ([Taylor & Richardson, 2012](#)). The tax rate policies set vary in each country encouraging the practice of tax avoidance because related companies can minimize the tax burden by diverting income from companies in countries with high tax rates to affiliated companies in countries with lower tax rates ([Sari et al., 2020](#)). Besides that,

Companies that have special relationships can mutually agree to determine the transaction price regardless of the standard market price, either above or below the standard price ([Rakhe et al., 2009](#)). Efforts to transfer revenue and determine the transfer

price are intended to reduce the company's taxable income so that it can minimize the burden of tax payable. This confirms the theory of costs and benefits, namely that companies try to get benefits from their tax avoidance actions. Therefore, the increasing volume of foreign related party transactions will also increase corporate tax avoidance.

#### **Influencethin capitalizationtotax evasion.**

The results of this research (shown in Table 2) prove that companies with thin capitalization practices will increase tax avoidance practices. [Khalil & Sidani \(2020\)](#), [Ngah et al. \(2022\)](#), [Puspita et al. \(2021\)](#), and [Taylor & Richardson \(2012\)](#) show uniform results and prove that thin capitalization is practiced by companies in order to avoid taxes. The results of this study also confirm the cost and benefit theory that the greater the level of thin capitalization, the company tends to avoid taxes.

In terms of taxation, financing through debt is more profitable. This is because there are differences in the treatment of interest expenses attached to debt and dividends attached to capital. Dividends cannot be deducted in the calculation of income tax, while interest expenses are permitted. Therefore, the nature of interest expense, which is an expense that may be deducted from taxable income, is used by companies to reduce their tax burden ([Wang et al., 2022](#); [Wong et al., 2015](#)). The difference in tax treatment between interest expense and dividends affects funding with interest-bearing debt rather than funding with share capital or what is commonly known as the practice of thin capitalization ([Buettner et al., 2018](#); [Taylor & Richardson, 2013](#)).

Empirical data illustrates that the average use of company interest-bearing debt does not violate the limit on the composition of debt and capital (4:1) permitted in PMK Number 169 of 2015. However, this research data proves that entities that have a high allowable debt ratio value have tax rates relatively low efficiency. This is because entities are trying to take advantage of the loopholes and opportunities from these tax provisions by maximizing the use of interest-bearing debt to reduce their tax burden.

### Effect of foreign ownership on tax avoidance.

Table 2 shows that significant foreign ownership can minimize tax avoidance practices. Empirical data shows that the average significant foreign ownership has a high current effective tax rate. This finding supports the results of [Chung et al. \(2019\)](#), [Marjit et al. \(2021\)](#), and [Nainggolan & Sari \(2019\)](#) that the higher the significant foreign share ownership, the lower the tax evasion efforts.

Foreign ownership in companies acts as a corporate governance mechanism. The results of this study are in line with agency theory and cost and benefit theory. Owners tend to be oriented towards achieving the long-term value of the company and have a good supervisory role so they try to create good company management and encourage companies not to get involved in tax evasion ([Wang et al., 2022](#); [Wong et al., 2015](#)). This is because foreign owners pay attention to the risks or costs arising from tax evasion ([Cebula, 2020](#); [Joshi et al., 2020](#)). For example, the risk of endangering reputation that can disrupt the existence of the company, incurring large costs for the services of qualified tax consultants and accountants for tax planning, as well as the possibility of incurring the costs of translation services for the services of foreign consultants and accountants ([Chung et al., 2019](#); [Mangoting et al., 2021](#); [Mason et al., 2020](#)). In addition, the average company's stock price will fall when the company avoids taxes ([Chang et al., 2022](#)).

To reduce the risks that may be encountered, foreign ownership plays an effective role in monitoring and maintaining foreign investors' awareness of actions that could harm the company, one of which is tax evasion. These results are in accordance with the cost-benefit theory. When tax evasion results in higher costs than the benefits, business owners tend to avoid these costs by not engaging in tax evasion. Significant share ownership (having at least 20% voting rights) has a strong influence on decision making and determining company policy. Thus, according to the results of this study, the intended policy determination leads to efforts to reduce tax evasion.

### Effect of control variables on tax avoidance.

Company characteristics are used as control variables as reported in previous studies ([Davis et al., 2016](#), [Kiesewetter & Manthey, 2017](#); [Qingyuan & Lumeng, 2018](#)). The results of research on the control variable return on assets show that a higher ROA will make companies avoid taxes (see **Table 2**). This is in line with the results of previous research by [Lee \(2020\)](#), [Makni et al. \(2020\)](#), and [Zeng \(2019\)](#). That is, the company's ability to utilize its resources to generate higher profits. The amount of profit can increase the tax burden so that the entity will position itself in tax planning. Companies with high profitability tend to be able to move their business through various methods to minimize the tax burden they bear. Besides that,

Furthermore, the debt ratio variable in this study is proven to reduce tax avoidance (see **Table 2**). The greater the use of debt to finance company assets, the lower the possibility of avoiding taxes. The results of this research are in line with [Biondi \(2017\)](#), [Chen et al. \(2020\)](#), and [Ravenda et al. \(2020\)](#). The findings of this research and the alignment with some of these studies indicate that a high level of debt will also indicate a high level of dependence of the company on third parties for the funds lent. Third parties or creditors will supervise the company's performance to ensure the company's ability to pay its debts. With the supervisory function by creditors, company management tends not to practice practices that lead to tax evasion. [Bethencourt & Kunze \(2020\)](#) and [Koh & Lee \(2015\)](#) add that interest expense on debt that is more than a certain level determined by the tax law cannot be tax deductible for the company.

Furthermore, the company's relatively high level of short-term debt causes companies not to do tax evasion because the costs of financial reporting are greater than the benefits received (tax burden). This is in accordance with the cost benefit theory. Table 2 shows that the fixed asset intensity control variable is not proven to influence corporate tax avoidance decisions. This result is the same as previous research by [Oktavia \(2019\)](#) and [Shim et al. \(2022\)](#). The argument that can

explain this is because the company's intention is to increase its fixed asset investment, namely to solely support the company's operational activities, not for the purpose of avoiding taxes. Investment in fixed assets such as buildings, buildings, machinery, and others is a mandatory requirement for companies in order to increase profits. So, the number of fixed assets owned by the company has nothing to do with tax avoidance.

Firm size is proven to increase tax avoidance activity (see **Table 2**). [Chen et al. \(2021\)](#), [Kemme et al. \(2017\)](#), [Oktavia et al. \(2019\)](#), [Shim et al. \(2022\)](#), and [Weerasekera \(2018\)](#) show consistent results. Large-scale companies tend to avoid taxes because large companies generally have more complicated and complex business activities and transactions so they have the opportunity to avoid taxes through certain transactions ([Akhtar et al., 2019](#); [Wardani & Susilowati, 2020](#)). Large companies also have a tendency to own more resources than small companies so that they can utilize these resources to reduce their tax burden.

Globally, the findings on control variables are consistent with both agency theory and cost and benefit theory. Based on agency theory, companies use financial ratio engineering measures (especially assets and debt) to avoid taxes ([Akhtar et al., 2019](#); [Biondi, 2017](#)). This indicates that there is an agency problem between company management and the tax authorities. In addition, firm size is also relevant to agency theory as a tax avoidance tool. On the other hand, the theory of costs and benefits can also be a reflection for management in considering the intensity of using assets for tax avoidance. Assets that are frequently used bring benefits to investment activities so that management will reconsider using them for tax avoidance ([Shim et al., 2022](#)).

## CONCLUSION

Companies with transactions with related parties abroad and financing their companies with debt tend to practice tax avoidance. Companies that carry out RPT abroad can take advantage of variations in tax rates between countries by transferring

income and setting favorable transfer prices so that taxable income is lower. Then, regarding thin capitalization, companies that finance their companies with debt can take advantage of the interest expense attached to debt to minimize taxable income. The next finding is that large foreign ownership will minimize tax avoidance practices. Foreign owners demand management to carry out good corporate governance. The owner remains oriented towards achieving the company's long-term value.

On the theoretical aspect, the results of this study provide legitimacy for agency theory and cost and benefit theory in the aspect of tax accounting research. This study proves that these two theories can be used as a basis for research on tax avoidance and their implications for accounting research. On the practical aspect, the results of this study have implications for the government and tax authorities to supervise and tighten rules regarding the disclosure of company transactions conducted with related parties and thin capitalization, especially related to overseas transactions.

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### Author's declaration

#### Authors' contributions and responsibilities

The authors made substantial contributions to the conception and design of the study. The authors took responsibility for data analysis, interpretation and discussion of results. The authors read and approved the final manuscript.

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#### Availability of data and materials

All data are available from the authors.

#### Competing interests

The authors declare no competing interest.

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