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Cross-Border Tax Avoidance : Foreign and Internal Determinants in Indonesian Multinationals

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***Abstract*—**Although tax avoidance can be viewed as a corporate strategy to increase profits, it may negatively affect Indonesia's image among international investors who place importance on tax compliance and integrity. This study offers recommendations on how to create a healthy and sustainable investment environment. The research aims to examine, evaluate, and measure the extent to which foreign ownership, the presence of foreign directors, transfer pricing practices, and a firm's status as a multinational company influence tax avoidance behavior. The population consists of multinational companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024, with purposive sampling applied as the sampling technique. Data were analyzed using SPSS software. The findings show that foreign ownership has a positive and significant effect on tax avoidance, while foreign directors and transfer pricing practices do not exhibit a significant influence. Conversely, multinational company status has a negative and significant impact on tax avoidance.

***Keywords*—**Tax Avoidance, Transfer Pricing, Foreign Ownership, Foreign Directors, Multinational

I. INTRODUCTION

Tax avoidance is generally conducted through various strategies that are legally permissible but often considered ethically questionable, such as transfer pricing manipulation, the exploitation of international legal loopholes, and profit shifting to low-tax jurisdictions (tax havens). Through these practices, firms are able to take advantage of weaknesses in the global taxation system. The *Tax Justice Network (TJN)* reports that such practices have resulted in substantial losses of potential state revenue, with estimated losses increasing by approximately 40 percent in recent years. This trend indicates the limitations of the international tax system in addressing the growing complexity of multinational corporate structures (Oktaviani et al., 2023). This condition exacerbates fiscal inequality, particularly in developing countries that rely heavily on tax revenues to finance development. When large corporations successfully engage in tax avoidance, the fiscal burden tends to shift toward individuals and small businesses that lack the capacity to employ similar strategies. Therefore, tax avoidance is not merely an economic issue but also a matter of social justice and fiscal sustainability (Ramdiani et al., 2023), In this context, global tax reform has become increasingly urgent to broaden the tax base, curb avoidance practices, and strengthen fiscal independence amid the continuously evolving dynamics of the global economy.

The potential for tax avoidance is influenced by various factors, including foreign ownership, the presence of foreign directors, related-party transactions with foreign affiliates through transfer pricing, and a firm's status as a multinational entity. Foreign ownership-whether held by individuals or institutional investors-refers to the proportion of shares owned by foreign parties in Indonesian companies (Maisaroh & Setiawan, 2021). A higher level of foreign ownership is often associated with a greater likelihood of tax avoidance, as firms may seek to minimize their fiscal obligations. This tendency arises because foreign investors typically demand higher rates of return, thereby encouraging management to reduce tax expenses in order to increase net income and dividend distribution. Although empirical findings remain mixed, several studies, including (Salihu et al., 2015), (Hasan et al., 2022), dan (Suranta et al., 2020), report a positive and significant relationship between foreign ownership and tax avoidance. In contrast, (Nurmawan & Nuritomo, 2022) find a negative and significant effect, while (Zarkasih & Maryati, 2023) report no significant relationship between foreign ownership and tax avoidance practices.

Foreign directors, particularly those serving as Chief Financial Officers (CFOs), often exhibit a higher level of prudence in tax reporting, as they are aware of the substantial risks that may arise if the company engages in overly aggressive tax practices. With international experience and a comprehensive understanding of global compliance standards, foreign directors tend to safeguard corporate reputation and minimize potential sanctions from tax authorities.

Empirical evidence regarding the influence of foreign directors on tax avoidance remains inconclusive. (Yustia & Khomsiyah, 2024), find a positive and significant effect, suggesting that the presence of foreign directors may, in fact, encourage tax avoidance practices. In contrast,(Iwan Setiadi et al., 2023) report a negative and significant relationship, indicating that foreign directors may strengthen tax compliance. Meanwhile, other studies, such as (Oktaviani et al., 2023) and (Maisaroh & Setiawan, 2021) reveal no significant effect of foreign directors on tax avoidance. These inconsistent findings suggest that the impact of foreign directors may largely depend on firm-specific contexts, corporate governance mechanisms, and the tax policy environment of each country.

Transfer pricing refers to a corporate policy in determining transaction prices between related parties by artificially increasing or decreasing prices (Sugiharti & Machdar, 2023). This practice is frequently utilized by multinational corporations through foreign affiliated entities to reduce their tax burden (Syailendra & Martini, 2024). Firms suspected of engaging in transfer pricing generally exhibit higher levels of tax avoidance, as this strategy can be used aggressively to shift profits to low-tax jurisdictions. Although such practices may formally comply with legal provisions, they often reflect tax avoidance behavior aimed at minimizing corporate tax liabilities. Several empirical studies, including (Prasetyo et al., 2022), (Oktavianus et al., 2023) and (Mukarramah & Nugroho, 2025) document a positive and significant effect of transfer pricing on tax avoidance, indicating that this mechanism serves as a primary tool for reducing corporate tax obligations. Other findings remain inconsistent (Astrina et al., 2022) report a negative and significant effect, while (Napitupulu et al., 2020) dan (Mufidah et al., 2023) conclude that transfer pricing has no significant influence on tax avoidance. These divergent findings suggest that the impact of transfer pricing is highly contingent upon tax regulations, the quality of corporate governance, and the effectiveness of monitoring mechanisms within each country.

Multinational corporations are characterized by cross-border operations, including the ownership of subsidiaries or special relationships with entities across multiple countries. The complexity of their organizational structures enables them to arrange intra-group transactions strategically to reduce tax burdens. With extensive international networks, multinational firms are able to design sophisticated tax planning schemes that remain within regulatory boundaries, thereby legally minimizing their tax liabilities.

Empirical evidence generally supports this view. (Sianipar et al., 2020), (Oktaviani et al., 2023) and (Shaffira et al., 2022) find that multinational status has a positive and significant effect on tax avoidance, indicating that global corporate structures tend to be utilized to enhance tax efficiency. Other studies report contrasting findings. (Budiman et al., 2025) document a negative effect of multinational status on tax avoidance, while (Zikrullah & Martini, 2019) find no significant relationship. These inconsistencies suggest that the impact of multinational characteristics on tax avoidance may vary depending on tax regulations, the effectiveness of oversight mechanisms, and the level of compliance within each jurisdiction.

Given the inconsistent findings reported in prior studies, tax avoidance remains an important and relevant issue for further investigation. Therefore, additional research is necessary by incorporating foreign ownership, foreign directors, transfer pricing, and multinational status as key determinants presumed to influence tax avoidance practices. Referring to the background discussion and the existing research gap, this study is entitled "Foreign and Internal Drivers of Cross-Border Tax Avoidance in Indonesian Multinationals." Accordingly, the research question addressed in this study is whether foreign ownership, foreign directors, transfer pricing, and multinational status influence tax avoidance among mining industry companies listed on the Indonesia Stock Exchange during the 2020–2024 period.

Based on the theoretical framework and prior empirical findings, the following hypotheses are proposed.

Foreign ownership refers to the proportion of a company's shares held by foreign investors, whether individuals or institutional entities. Foreign investors are generally profit-oriented and expect high rates of return on their investments. To meet these expectations, corporate management tends to maximize net income. One common approach is to reduce tax expenses through tax avoidance practices. A higher proportion of foreign ownership may strengthen managerial incentives to enhance fiscal efficiency, thereby increasing the likelihood of engaging in tax avoidance. This argument is supported by empirical evidence from (Salihu et al., 2015), (Hasan et al., 2022), (Suranta et al., 2020) which demonstrates a positive and significant relationship between foreign ownership and tax avoidance. Based on the above explanation, the first hypothesis is formulated as follows:

H1: Foreign ownership has a positive effect on tax avoidance.

Tax avoidance is generally undertaken within existing legal boundaries and under the supervision of the board of directors. The board, including the Chief Financial Officer (CFO), plays a crucial role in maintaining fiscal compliance and ensuring the continuity of corporate operations (Mulyani et al., 2018). The presence of foreign directors, particularly in financial positions, may influence corporate decisions regarding tax policies. Foreign directors are often more cautious in tax reporting to mitigate potential future risks arising from overly aggressive tax strategies. Empirical evidence from prior studies remains inconsistent. (Yustia & Khomsiyah, 2024) provide evidence of a positive and significant relationship between the presence of foreign directors and tax avoidance practices, suggesting that foreign directors may, in certain contexts, support tax-minimization strategies. Based on this reasoning and empirical support, the second hypothesis is formulated as follows:

H2: Foreign directors have a positive effect on tax avoidance.

Transfer pricing refers to the policy of determining transaction prices between related parties, whether involving goods or services, for specific purposes

(Sugiharti & Machdar, 2023). In practice, multinational corporations frequently utilize this mechanism by setting transfer prices through foreign affiliated entities. This strategy enables firms to shift profits to lower-tax jurisdictions, thereby reducing the company's tax burden (Syailendra & Martini, 2024). Companies suspected of engaging in transfer pricing generally demonstrate a higher tendency toward tax avoidance. Aggressive transfer pricing practices may serve as a legal instrument to minimize tax liabilities, although such practices remain closely associated with tax avoidance behavior. Empirical findings by (Prasetyo et al., 2022), (Oktavianus et al., 2023) and (Mukarramah & Nugroho, 2025) further support this argument, documenting a positive and significant effect of transfer pricing on tax avoidance. Based on this explanation, the third hypothesis is formulated as follows:
H3: Transfer pricing has a positive effect on tax avoidance.

Multinational corporations are entities that conduct business activities across national borders, typically by establishing subsidiaries or maintaining related-party relationships in different jurisdictions. The complexity of cross-border operations provides multinational firms with opportunities to strategically manage intra-group transactions, including the management of tax obligations. Through carefully designed tax planning schemes, multinational corporations may exploit differences in tax regulations and rates across countries to reduce their tax burden. Although such strategies may formally comply with existing regulations, they often lead to tax avoidance practices. Empirical evidence by (Oktaviani et al., 2023) and (Shaffira et al., 2022) supports this argument, showing that multinational status has a positive and significant effect on tax avoidance. Based on the above explanation, the fourth hypothesis is formulated as follows:
H4: Multinational corporations have a positive effect on tax avoidance

II. METHOD

A. Data Collection

This study employs secondary data. Since the data used are secondary in nature, the data collection technique was conducted through documentation study and literature review. The primary data source was obtained from the official website of the Indonesia Stock Exchange www.idx.co.id consisting of the annual financial reports of mining sector companies listed on the Indonesia Stock Exchange for the period 2020–2024. In addition, supporting data and theoretical foundations were gathered through library research, including textbooks, scientific journal articles, online literature, and other relevant sources related to the research topic.

B. Population and Sample

The population of this study consists of all mining sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period, totaling 62 companies. The sampling technique employed in this study is non-probability sampling using a purposive sampling method. The sample was selected based on the following criteria:

a. Mining companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period.
b. Mining companies that consistently published complete annual reports for the years 2020–2024.
c. Mining companies that provided complete information relevant to the research variables and reported positive profits during the 2020–2024 observation period.

C. Variables and Measurement

a) Tax Avoidance.

Tax avoidance refers to a lawful tax planning practice aimed at minimizing tax liabilities through methods that comply with applicable laws and regulations. This strategy takes advantage of opportunities or loopholes within tax regulations to reduce the amount of tax payable. Although considered legal, tax avoidance is often viewed as controversial or ethically questionable, as it may reflect attempts to minimize tax contributions aggressively. In this study, tax avoidance is measured using the Effective Tax Rate (ETR). To ensure that higher values consistently represent higher levels of tax avoidance, the ETR value is multiplied by (-1). Tax avoidance is calculated using the following formula 1 :

$$ETR = \frac{Tax\ Expense}{Pretax\ Income} \tag{1}$$

b) Foreign Ownership

Foreign ownership represents the proportion of a company's total outstanding shares held by foreign parties, either individual investors or institutional entities. This ownership proportion reflects the level of foreign investor involvement in the company's ownership structure. Their presence functions not only as providers of capital but also as influential stakeholders who may shape corporate policies through voting rights. In addition, foreign investors are typically profit-oriented and often adhere to higher governance standards, as they commonly originate from jurisdictions with stricter regulatory frameworks. Consequently, their expectations regarding return on investment encourage management to allocate resources more efficiently, including in financial strategy, dividend policy, and tax management. Therefore, foreign ownership not only affects the company's capital structure but may also influence managerial practices that shape financial performance and corporate sustainability.

Foreign ownership is measured using the following formula 2 :

$$FO = \frac{\text{Total Shares Held by Foreign Investors}}{\text{Total Outstanding Share}} \tag{2}$$

c) Foreign Directors

Foreign directors refer to members of the board of directors who hold foreign nationality. Their presence reflects the involvement of international parties in the company's strategic decision-making processes.

Foreign directors not only introduce new perspectives in corporate governance but may also exert significant influence on the formulation of corporate policies and managerial strategies. With diverse cultural backgrounds, regulatory experiences, and international business exposure, foreign directors often implement stricter governance standards and more transparent management practices. In the context of tax management, they tend to exercise greater prudence to ensure regulatory compliance while minimizing potential risks arising from overly aggressive tax practices. Therefore, the presence of foreign directors is believed to influence corporate direction across operational, financial, and fiscal strategy dimensions. Foreign directors are measured using the following formula 3:

$$Foreign\ Directors = \frac{Number\ of\ Foreign\ Directors}{Total\ Number\ of\ Directors} \quad (3)$$

d) Transfer Pricing

Transfer pricing refers to the pricing policy applied to transactions between companies within the same corporate group, commonly known as affiliated companies. In this context, the prices charged for goods, services, or intellectual property transferred among subsidiaries, branches, or related entities must be determined in a reasonable manner and in accordance with the arm's length principle. This principle requires that the transaction price reflects the price that would have been charged between unrelated parties under open market conditions. Transfer pricing in this study is measured using the following formula 4

$$Transfer\ Pricing = \frac{Related-Party\ Receivables}{Total\ Receivables} \quad (4)$$

e) Multinational Corporations

A multinational corporation is a business entity that conducts operational activities in more than one country, either by establishing subsidiaries, opening branches, or maintaining affiliated relationships with foreign companies. The main characteristic of multinational corporations is the existence of complex cross-border business networks, encompassing differences in regulations, tax rates, and legal systems across jurisdictions. These conditions provide broader opportunities for firms to design more flexible tax planning strategies. Through intra-group transactions, multinational corporations may shift profits to jurisdictions with lower tax rates, thereby significantly reducing their tax obligations. Although such strategies are conducted within legal boundaries, they are often associated with tax avoidance, defined as efforts to minimize tax burdens without violating applicable regulations. Therefore, the cross-border complexity inherent in multinational corporations makes them more susceptible to engaging in tax avoidance practices compared to purely domestic firms. In this study, multinational status is measured using a dummy variable. A value of 1 is assigned if the company has at least two subsidiaries or business branches operating outside Indonesia, while a value of 0 is assigned otherwise.

D. Data Analysis

This study employs multiple linear regression analysis using SPSS software to examine the effect of foreign ownership, foreign directors, transfer pricing, and multinational status on tax avoidance. Prior to conducting the regression analysis, classical assumption tests were performed to ensure the validity and reliability of the regression model. After the assumptions were satisfied, an F-test was conducted to assess the feasibility of the model. Furthermore, t-tests were used to examine the partial effect of each independent variable on tax avoidance. The coefficient of determination (R^2) was also calculated to evaluate the model's ability to explain the variation in tax avoidance.

III. RESULTS AND DISCUSSION

This study examines four independent variables, namely foreign ownership, foreign directors, transfer pricing, and multinational status, with tax avoidance as the dependent variable. The population consists of mining industry companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The study utilizes secondary data in the form of financial statements and annual reports obtained from the official IDX website www.idx.co.id, www.idnfinancials.com, and the respective company websites. The sampling method applied is purposive sampling, whereby samples are selected based on predetermined criteria. Based on this approach, 11 companies were selected as the research sample. Data processing was conducted using Microsoft Excel 2019 and IBM SPSS (Statistical Package for the Social Sciences) version 22. The results of the classical assumption tests indicate that the regression model does not suffer from violations of normality, multicollinearity, heteroscedasticity, or autocorrelation assumptions. Therefore, further hypothesis testing could be performed.

1. Model Feasibility Test (F-Test)

The results of the F-test in this study are presented in Table 1.

Table 1 Anova Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.556	4	.389	3.237	.019b
	Residual	6.008	50	.120		
	Total	7.564	54			

a. Dependent Variable: Tax_Avoidance
b. Predictors: (Constant), Multinational_Company, Foreign_Ownership, Foreign_Director, Transfer_Pricing

Based on Table 1, the significance value is 0.019, which is lower than the 0.05 significance level (0.019 < 0.05). Therefore, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_a) is accepted. This result indicates that the regression model is statistically significant and feasible for further analysis. In other words, the independent variables jointly have a significant effect on tax avoidance.

2. Hypothesis Testing (t-Test)

The results of the t-test in this study are presented in Table 2. Based on the results of the hypothesis testing (t-test) presented in Table 2, the findings can be explained as follows:

1. The foreign ownership variable (X1) has a significance value of 0.011, which is lower than 0.05 (0.011 < 0.05). Therefore, H_{01} is rejected and H_{a1} is accepted. This result indicates that foreign ownership has a positive and significant effect on tax avoidance.
2. The foreign directors variable (X2) has a significance value of 0.353, which is greater than 0.05 (0.353 > 0.05). Thus, H_{02} is accepted and H_{a2} is rejected. This finding shows that foreign directors do not have a significant effect on tax avoidance.
3. The transfer pricing variable (X3) has a significance value of 0.164, which exceeds 0.05 (0.164 > 0.05). Therefore, H_{03} is accepted and H_{a3} is rejected, indicating that transfer pricing does not have a significant effect on tax avoidance.
4. The multinational corporation variable (X4) has a significance value of 0.024, which is lower than 0.05 (0.024 < 0.05). Hence, H_{04} is rejected and H_{a4} is accepted. This result indicates that multinational status has a negative and significant effect on tax avoidance.

Table 2 T Test

Model		Unstandardized Coefficients B	Std. Error	Standardize Coefficients Beta	t	Sig.
1	Constant	-1.062	.324		-3.281	.002
	FO	.210	.080	.367	2.631	.011
	FD	.015	.016	.128	.937	.353
	TP	.668	.473	.200	1.413	.164
	MC	-.240	.103	-.312	-2.328	.024

a. Dependent Variable: Tax_Avoidance

In this study, multiple linear regression analysis was conducted to examine the effect of foreign ownership, foreign directors, transfer pricing, and multinational status on tax avoidance among mining industry companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period.

Referring to the t-test results reported in Table 2, the estimated regression model is expressed as Equation 5.

$$Y= -1{,}062+0{,}210FO+0{,}015FD+0{,}668TP-0.240MC+\boldsymbol{e} \quad (5)$$

Description:

Y : Tax Avoidance
α : Constant (intercept)
$\beta_1 - \beta_4$: Coefficients of each independent variable
X_1 : Foreign Ownership (FO)
X_2 : Foreign Directors (FD)
X_3 : Transfer Pricing (TP)
X_4 : Multinational Corporation (MNC)
e : Error term

3. Coefficient of Determination Test (R^2)

The results of the coefficient of determination test (R^2) in this study are presented in Table 3.

Table 3 Model Summary

Model	R	R Square	Adjusted R Square
1	.454a	.206	.142

a. Predictors: (Constant), MC, FO, DF, TP
b. Dependent Variable: Tax_Avoidance

Based on the results presented in Table 3, the adjusted R^2 value is 0.142, or 14.2%. This indicates that the independent variables-foreign ownership, foreign directors, transfer pricing, and multinational status together explain 14.2% of the variation in the dependent variable, tax avoidance. The remaining 85.8% of the variation is influenced by other factors not included in this study, such as managerial ownership, dividend payout ratio, total asset turnover, profitability, and other variables.

4. Research Findings

Based on the results of this study, which examined the effect of transfer pricing, profitability, and debt covenant on tax avoidance, the following is the interpretation and discussion of the influence of each independent variable on the dependent variable:

a. The Effect of Foreign Ownership on Tax Avoidance

The results of this study indicate that foreign ownership has a positive and significant effect on tax avoidance, suggesting that the higher the proportion of foreign shareholders in a company, the greater the likelihood that the company will engage in tax avoidance practices.

Foreign ownership influences tax avoidance because foreign investors generally have a profit-oriented mindset and high expectations for return on investment. To meet these expectations, company management is encouraged to maximize profitability, including through fiscal efficiency strategies such as minimizing tax liabilities. Several contextual factors reinforce this relationship within the framework of Indonesia's tax policies and regulations. Differences in tax rates across countries lead foreign investors to compare tax burdens internationally; if the tax rate in Indonesia is relatively high, companies with foreign ownership tend to seek ways to reduce obligations to maintain attractive returns. The complexity of Indonesia's tax regulations, which leave room for interpretation regarding deductible expenses, related-party transactions, and specific tax incentives, provides opportunities for companies with foreign shareholders to engage in legal tax avoidance. Companies with foreign ownership are also more likely to conduct cross-border transactions, such as with parent companies or affiliates abroad, using mechanisms like transfer pricing to shift profits to jurisdictions with lower tax rates, thereby reducing the tax burden in Indonesia. Furthermore, foreign investors typically demand higher financial management standards and focus on increasing firm value, placing pressure on management to utilize available opportunities for tax planning, even if it leads to tax avoidance practices. In summary, foreign ownership encourages companies to be more proactive in leveraging existing tax policies and regulations to minimize tax obligations.

These findings are consistent with studies by (Salihu et al., 2015), (Hasan et al., 2022), and (Suranta et al., 2020) which report a positive and significant relationship between foreign ownership and tax avoidance, although they contrast with (Zarkasih & Maryati, 2023) who found no significant effect of foreign ownership on tax avoidance.

b. The Influence of Foreign Directors on Tax Avoidance

The results of this study indicate that foreign directors do not have a significant effect on tax avoidance, suggesting that the proportion of foreign directors in a company does not necessarily influence tax avoidance practices.

In the context of Indonesian regulations and business practices, the presence of foreign directors may not significantly affect tax avoidance due to limited understanding of local tax rules, adherence to international compliance standards, and the dominance of other factors, such as foreign ownership, capital structure, or multinational status, which have a stronger impact on the company's tax avoidance strategies. The non-significant effect of foreign directors can also be explained by their limited authority in tax-related decision-making. Although foreign directors are members of the board, decisions regarding tax strategy are generally made collectively, often involving audit committees, tax consultants, or the board as a whole. Consequently, the presence of foreign directors does not directly determine the intensity of tax avoidance practices. Furthermore, Indonesia's tax regulations are complex and highly context-specific, which may pose challenges for foreign directors who are accustomed to different legal systems. As a result, their contribution to designing tax planning strategies is relatively limited. Companies often rely more on domestic tax consultants or local directors who have better knowledge of Indonesian tax regulations. On the other hand, foreign directors typically bring international governance standards and business practices that emphasize compliance and risk management. This cautious approach reduces the incentive for aggressive tax strategies, which may explain the lack of significant impact on tax avoidance. From the perspective of agency theory, foreign directors can act as a monitoring mechanism to strengthen managerial oversight, whereas this function is primarily directed toward transparency, accountability, and financial reporting rather than solely influencing tax avoidance strategies. These considerations support the empirical findings that the presence of foreign directors is not necessarily associated with tax avoidance practices. This result is consistent with previous studies by (Oktaviani et al., 2023) and (Maisaroh & Setiawan, 2021), which also found no significant effect of foreign directors on tax avoidance, but it contrasts with the findings of (Yustia & Khomsiyah, 2024) who reported a positive and significant relationship between foreign directors and tax avoidance.

c. The Effect of Transfer Pricing on Tax Avoidance

The results of this study indicate that transfer pricing does not have a significant effect on tax avoidance, suggesting that the level of transfer pricing employed by a company does not necessarily determine its tax avoidance practices.

The non-significant effect of transfer pricing can be attributed to the increasingly stringent regulatory environment and tax policies in Indonesia, particularly the mandatory documentation of transfer pricing and adherence to the arm's length principle. Not all transfer pricing practices are intended for tax avoidance; many are implemented for legitimate business purposes, such as internal management, cost allocation, or inter-unit pricing strategies. The lack of significant influence may also be due to strengthened regulations on transfer pricing in Indonesia. Since the issuance of the Minister of Finance Regulation (PMK) No. 213/PMK.03/2016 concerning Guidelines for Determining Transfer Pricing, the Indonesian government has tightened supervision of related-party transactions, requiring companies to prepare transfer pricing documentation to demonstrate compliance with fair pricing principles. The Directorate General of Taxes (DGT) has enhanced its audit and inspection capacities, particularly for multinational corporations, supported by initiatives such as the Automatic Exchange of Information (AEoI) and international cooperation, enabling more transparent monitoring of cross-border transactions. These measures reduce the effectiveness of transfer pricing as a tool for tax avoidance. Furthermore, the effectiveness of transfer pricing in influencing tax avoidance often depends on other factors, such as foreign ownership, the complexity of multinational operations, and management aggressiveness in tax planning. If these factors are more dominant, the direct relationship between transfer pricing and tax avoidance may become insignificant. The findings of this study align with (Napitupulu et al., 2020), who also reported that transfer pricing has no significant effect on tax avoidance, but contrast with studies by (Prasetyo et al., 2022), (Mufidah et al., 2023), (Oktavianus et al., 2023) and (Mukarramah & Nugroho, 2025) which found a positive and significant relationship between transfer pricing and tax avoidance.

d. The Influence of Multinational Companies on Tax Avoidance

The results of this study indicate that multinational companies (MNCs) have a negative and significant effect on tax avoidance, suggesting that the higher the multinational status of a company, the lower the likelihood of engaging in tax avoidance practices, and vice versa. This negative relationship can be explained by stricter oversight, transparent international regulations, global reporting obligations, and the need to maintain corporate reputation. The complexity of cross-border operations is not always utilized for tax avoidance purposes but can instead be directed toward business efficiency. With increasingly stringent domestic and international tax regulations, MNCs tend to prioritize compliance over aggressive tax avoidance. Several factors contribute to this negative influence.

First, multinational companies are subject to closer scrutiny by tax authorities due to the complexity of their cross-border transactions. In Indonesia, regulations such as PMK No. 213/PMK.03/2016 on Transfer Pricing Documentation, as well as international initiatives like the OECD Base Erosion and Profit Shifting (BEPS) Action Plan, require MNCs to prepare Country-by-Country Reporting (CbCR), increasing transparency and reducing opportunities for tax avoidance. Second, global reputation and compliance considerations play a key role. MNCs must maintain their credibility with both investors and international regulators, and tax avoidance scandals could damage their public image and market trust. Consequently, they tend to adhere more strictly to tax regulations to avoid sanctions and ensure sustainable business operations. Third, compliance with international accounting standards and regulations, such as IFRS or SEC rules for MNCs listed on global exchanges (e.g., NYSE, LSE, SGX), emphasizes transparency and indirectly discourages aggressive tax avoidance, as tax strategies are closely monitored by regulators across countries. Fourth, operational complexity does not always equate to tax avoidance. Although MNCs operate globally, much of their complexity is focused on production efficiency, market integration, and expansion strategies. When domestic and international tax rules are tightened, MNCs prefer compliance to avoid costly tax litigation. Finally, anti-avoidance policies further constrain aggressive tax avoidance. Indonesia has implemented the General Anti-Avoidance Rule (GAAR) and beneficial ownership disclosure requirements, specifically targeting practices commonly associated with MNCs. These policies increase the risks and costs of aggressive tax avoidance, motivating MNCs to minimize such practices. These findings are consistent with (Budiman et al., 2025) who reported a negative relationship between multinational status and tax avoidance, but contrast with (Oktaviani et al., 2023) and (Shaffira et al., 2022) which found a positive and significant effect of multinational status on tax avoidance.

IV. CONCLUSION

This study aimed to examine the effect of foreign ownership, foreign directors, transfer pricing, and multinational status on tax avoidance in mining companies listed on the Indonesia Stock Exchange during the 2020–2024 period, using multiple linear regression analysis. The results indicate that foreign ownership has a positive and significant effect on tax avoidance, while multinational status has a negative and significant effect. In contrast, foreign directors and transfer pricing do not have a significant impact on tax avoidance.

The relatively low coefficient of determination, with an Adjusted R^2 of 0.142 or 14.2%, indicates that the independent variables in this study only explain a small portion of the variation in tax avoidance, suggesting that many other factors may also influence this behavior. Therefore, future research is recommended to expand the sample beyond the mining sector to achieve more diverse findings. Subsequent studies are also expected to include or develop additional independent variables that are relevant to tax avoidance behavior and extend the observation period to obtain more stable results. Moreover, incorporating additional literature and supporting references is anticipated to further strengthen the theoretical foundation of future research.

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