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Original Article

Effect of Related Party Transaction and Tax Haven Utilization on Tax Avoidance Moderated by Country-by-country Reporting

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Abstract:

This research investigates the influence of Related Party Transactions and Tax Haven Utilization on Tax Avoidance with and without Country-by-Country Reporting regulations, which were introduced in Indonesia at the end of 2016, as moderating variables. This research uses a purposive sampling method as sample selection. The data in this study was collected from the financial reports of 96 multinational companies registered between 2012 and 2021. To test the hypothesis, this study used regression with Random Effect Model. The results of this research are that Tax Haven Utilization has a significant effect on Tax Avoidance and Related Party Transactions have no effect on Tax Avoidance. Other results show that Country-by-Country Reporting regulations are unable to moderate the influence of Related Party Transactions and Tax Haven Utilization on Tax Avoidance. The findings of this research provide recommendations for the government to launch CbCR regulations in order to prevent tax avoidance through mechanisms for utilizing tax havens and related party transactions as well as increasing understanding of the principles of implementing CBCR.

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Keywords: Tax haven, related party transactions, tax avoidance, country-by country reporting

Introduction

Today, tax avoidance is a concern in almost all countries of the world, especially since the global financial crisis of 2008 (Oats & Tuck, 2019). Various previous studies have been conducted to see factors that can cause tax avoidance, both from internal and external factors (Hugger, 2019). Internal factors that can lead to tax avoidance include company characteristics (Bolwijn et al., 2018), ownership structure (Cen et al., 2017), manager and executive characteristics (Christians & Van Apeldoorn, 2018), executive compensation (Cooper & Nguyen, 2020), and internal governance (Bauer, 2016). Meanwhile, from an external point of view, factors that cause tax avoidance include institutional (Dyreng et al., 2022; Hoopes et al., 2012), external markets (Dyreng et al., 2022), external governance (Klassen et al, 2016), and social networks (Cen et al., 2017).

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However, since some cases circulated the results of journalistic investigations, such as LuxLeaks and the Panama Papers, tax evasion on multinational companies or Multinational Enterprise (MNE) has been on the agenda for countries and organizations around the world in the last decade. According to data from The State of Tax Justice in 2021, published by the Tax Justice Network, it is estimated that countries in the world experience tax losses of US $ 483 billion due to cross-border tax avoidance to countries Tax Havens. Of this, about $312 billion, or 65 percent, was made by MNEs, while the rest, or $171 billion, was made by individual taxpayers conglomerates. In Indonesia alone, tax losses due to cross-border tax avoidance are estimated to reach US$ 2.275 billion or equivalent to Rp 34 trillion (Kurniawan & Saputra, 2020).

MNE can be defined as a company that operates in more than one country and runs their business through branches, subsidiaries, or joint ventures with companies in other countries (Granda, 2021; Eiteman et al, 2016). This activity is carried out based on several reasons, including the need for access to a larger consumer market, access to certain natural resources or technologies, as well as certain financial or tax regulations, and so on (OECD, 2018).

MNE has had an important influence on the world economy, especially through trade (Habib et al., 2017). Based on UNCTAD data (2022), the value of global trade in 2021 reached $28.5 trillion, or an increase of 25% compared to 2020. In general, tax avoidance by MNEs is carried out through profit transfer schemes or profit shifting i.e. by transferring profits or revenues from jurisdictions with high tax rates to jurisdictions with lower tax rates (Cooper & Nguyen, 2020), lowering the tax base or Tax Base (base erosion) in the country of origin or a combination of the two or commonly referred to as Base Erosion and Profit Shifting (BEPS) (Lampenius et al., 2021). By shifting most of its revenue to low-tax rate countries, it will be able to reduce the overall tax burden (Huang et al., 2017). This has led to increased competition in tax rates between countries to attract foreign investment or Foreign Direct Investment (FDI) (Kurniasih et al., 2023; Zagler, 2023).

Research conducted by Bolwijn et al. (2018) examining the relationship between BEPS and FDI found that FDI in Offshore Financial Centres (OFCs) represents around 30-50% of the world's FDI. The study went on to conclude that FDI-motivated profit shifting leads to an erosion of the annual tax base of about $100 billion in developing countries and more than $200 billion globally.

Then, research conducted by Janský and Palanský (2019) analyzed the scale of profit transfer at the national level through FDI from Tax Haven countries and found that with the increasing proportion of FDI channeled through Tax Haven countries, the rate of return tends to decrease due to profit diversion. Research by Zagler (2023) examining the effect of legal uncertainty related to corporate tax on FDI in developing countries, found that an increase in the ratio of corporate tax rates negatively affects FDI.

To counteract this BEPS activity, in 2013, the Organisation for Economic Co-operation and Development (OECD), in collaboration with the G20, tried to draw up international guidelines that could be applied in OECD and G20 member countries. The goal of the project is to reduce tax system loopholes and regulatory inconsistencies between countries so that companies cannot shift profits from high-tax jurisdictions to lower-tax jurisdictions. Then, in 2015, the collaboration of the two world organizations issued a BEPS Report containing 15 Action Plans. The BEPS Action Plan project is built

on three pillars, namely coherence in domestic rules affecting cross-border activities, strengthening substance requirements in existing international standards, and increasing transparency and certainty (Christians & Van Apeldoorn, 2018). In order to be implemented effectively internationally, the OECD and G20 also involve other countries outside the members of the two organizations, the majority of which are developing countries, through The OECD Inclusive Framework on BEPS in 2016. This framework applies equal footing, where participating countries have an equal position in providing decisions that can have an impact on their countries (Christians & Van Apeldoorn, 2018).

According to the OECD (2018), the lack of quality of corporate tax data has become a major limitation in measuring the fiscal and economic impact of tax avoidance, making it difficult for authorities to assess transfer pricing of transactions between affiliated companies and even conduct audits. To overcome this, Action Plan 13, which is on transfer pricing documentation, is prepared a report format for MNEs to report annually and in each jurisdiction where MNEs do business, referred to as Country-by-Country Report (CbCR).

CbCR is a document that contains the allocation of income, tax payments, and also the activities of all members of the business group. This document is presented in a special tabulation based on international standards and is also used as an exchange with tax authorities in other countries based on agreements (Bolwijn et al., 2018). Furthermore, this report is required for multinational group companies with a consolidated gross circulation of at least 750 million euros.

In 2016, Indonesia enacted CbCR through Minister of Finance Regulation Number 213/PMK.03/2016 concerning Types of Additional Documents and/or Information Required to Be Stored by Taxpayers Conducting Transactions with Parties Having Special Relationships and Management Procedures stipulated on December 30, 2016. Article 2 of the regulation states that CbCR is part of a document that is mandatory in determining transfer prices. CbCR regulations in Indonesia have the same limitation regarding the minimum gross circulation limit of 750 million euros, namely for domestic tax subjects as part of business groups that have Ultimate Parent Entity (UPE) which is a foreign tax subject that has turnover consolidation of more than or equal to 750 million euros. Meanwhile, for domestic tax subjects who are UPE from a Business Group have restrictions turnover consolidation of more than or equal to 11 trillion rupiah.

In this study, the authors wanted to test the effect of utilization Tax Haven (Tax Haven Utilization/THU) and affiliated party transactions (Related Party Transaction/RPT) against mediated tax avoidance Country-by-Country Report (CbCR). According to Hebous and Johannsen (2021), One form of tax avoidance through profit shifting is to take advantage of the state Tax Haven. Tax Haven It can be interpreted as a country that imposes a very low tax rate, or even no taxes or zero tariffs. This can attract MNEs to place their main business in these countries in order to reduce their overall global tax payments (Hebous & Johannesen, 2021). Then, according to Gumpert (2019), another common form of tax avoidance by MNEs is through transactions with affiliated parties or Related Party Transactions. Transactions between affiliated parties are carried out by setting a transfer price or transfer pricing between affiliated companies within the MNE group into various forms, namely intra-group trade, intra-group lending, as well as the transfer of expertise and intellectual property, such as patents, trademarks, copyrights, and so on (Cooper & Nguyen, 2020).

In addition, based on the author's search, there have not been many studies in Indonesia that use the CbCR variable in testing its effect on tax avoidance in Indonesia.

Several studies that use CbCR variables include research conducted by Kurniawan and Saputra (2020), which examined the effect of CbCR implementation on tax avoidance carried out by MNE in Indonesia with a period of 4 (four) years of research after the adoption of CbCR (2016-2019), concluded that there was an increase effective tax rates (ETRs) on MNEs operating in Indonesia that have UPE as the subject of CbCR implementation. Then research conducted by Kurniasih et al (2023), which examined the direct influence and mediation of CbCR with MNEs listed on the Indonesia Stock Exchange in 2010-2019, concluded that CbCR has a negative and significant influence on tax avoidance.

The purpose of this study is to analyze the effect of Tax Haven Utilization and Related Party Transaction on tax avoidance of multinational companies listed on the Indonesia Stock Exchange, and investigate whether these effects can be moderated by Country-by-Country Reporting (CbCR). This research is expected to make a significant contribution to our understanding of multinational corporate tax avoidance practices, particularly in the Indonesian context. The novelty of this study lies in an analytical approach involving the interaction between Tax Haven Utilization, Related Party Transaction, and CbCR, so as to provide a more comprehensive picture of the factors affecting tax avoidance in developing countries. The implications of this research include academic benefits in developing tax literature and the impact of implementing the OECD/G20 BEPS action plan, as well as practical benefits for the government in evaluating the effectiveness of tax policies related to tax avoidance of multinational companies in Indonesia.

Methods

The research method used in this study is a quantitative method with a descriptive approach. This approach was chosen to describe the phenomenon of tax avoidance of multinational companies listed on the Indonesia Stock Exchange systematically. The data used are numerical or numeric, and the analysis is carried out using statistical methods. This study uses a research design in the form of panel data, which combines time-series and cross-section data to understand the dynamics of corporate tax avoidance over a period of time.

The source of data used in this study is secondary, derived from the financial statements of non-financial multinational companies listed on the Indonesia Stock Exchange in 2012-2021. This financial data is accessed through IDX system and Thomson Reuters Eikon. The data collection method applied is archival data collection, which involves information from archived and publicly available financial statements. This study focuses analysis on variables such as Tax Haven Utilization (THU), Related Party Transaction (RPT), and Country-by-Country Reporting (CbCR), as well as control variables such as company size, profitability, and capital intensity.

Quantitative data analysis is carried out in several stages. First, descriptive statistical analysis is carried out to provide an overview of the character of the distribution of data that has been collected. Next, panel data regression model selection is done with Chow test, Hausman test, and LM test to determine the best model that matches the data characteristics. Testing of classical assumptions, such as multicollinearity, autocorrelation, and heteroscedasticity, is performed to ensure the validity of regression models. Hypothesis testing involves statistical test F to see the effect of independent variables simultaneously, coefficient of determination to evaluate the ability of the model to explain variations in dependent variables, and statistical test t to see the influence of

independent variables individually.

Hipotesis

The research hypothesis in this study is formulated as follows:

Main Hypothesis: The Effect of Related Party Transaction (RPT) and Tax Haven Utilization (THU) on Tax Avoidance

- H1a: Tax Haven Utilization and Related Party Transaction Sales have an influence on tax avoidance by MNEs listed on the IDX.
- H1b: Tax Haven Utilization and Related Party Transaction Purchases have an influence on tax avoidance by MNEs listed on the IDX.
- H1c: Tax Haven Utilization and Related Party Transaction Receivables have an influence on tax avoidance by IDX-listed MNEs.
- H1d: Tax Haven Utilization and Related Party Transaction Payables have an influence on tax avoidance by IDX-listed MNEs.

Moderation Hypothesis: Effects of Country-by-Country Reporting (CbCR) Moderation on the Effect of RPT and THU on Tax Avoidance

- H2a: CbCR disclosure provisions can moderate the effect of Tax Haven Utilization and Related Party Transaction Sales on tax avoidance by IDX-listed MNEs.
- H2b: CbCR disclosure provisions can moderate the effect of Tax Haven Utilization and Related Party Transaction Purchases on tax avoidance by IDX-listed MNEs.
- H2c: CbCR disclosure provisions can moderate the effect of Tax Haven Utilization and Related Party Transaction Receivables on tax avoidance by IDX-listed MNEs.
- H2d: CbCR disclosure provisions can moderate the effect of Tax Haven Utilization and Related Party Transaction Payables on tax avoidance by IDX-listed MNEs.

Results

Descriptive Statistical Results

The following is the result of a descriptive analysis of the variables in the study, which was carried out to determine the characteristics and distribution of data in the research model.

Table 1. Descriptive Statistical Results

Variable	N	Mean	Median	Max	Min	StdDev
ETR	960	0.17	0.22	39.87	-26.41	2.53
TH	960	0.70	1	1	0	0.46
RPT_Sales	960	0.09	0.003	1.39	0	0.20
RPT_Purc	960	0.04	0.001	0.76	0	0.08
RPT_Receiv	960	0.02	0.001	0.36	0	0.04
RPT_Payab	960	0.01	0.001	0.61	0	0.05
FSize	960	29.51	29.68	32.82	18.17	1.58
RoA	960	0.02	0.03	0.62	-2.23	0.18
CapInt	960	0.39	0.36	0.95	0	0.23
TH*CbCReq*Post	960	0.15	0	1	0	0.36
RPT_Sales*CbCReq*Post	960	0.13	0	1	0	0.33
RPT_Purc*CbCReq*Post	960	0.02	0	1.12	0	0.09
RPT_Receiv*CbCReq*Post	960	0.01	0	0.32	0	0.04

RPT_Payab*CbCReq*Post	960	0.004	0	0.35	0	0.02

Source: Processed researchers

Based on the statistical results table, the first variable as a dependent variable, namely ETR, has an average value of 0.17 with a standard deviation value of 2.53. In addition, this variable has a minimum value of -26.41 found in PT Indonesia Prima Property Tbk in fiscal year 2013 and a maximum value of 39.87 found in PT Bumi Teknokultura Unggul Tbk in fiscal year 2016. This sizable range of values is comparable to a standard deviation value greater than the average value, which shows multinational companies in Indonesia have a very variable effective tax ratio.

The effective tax ratio (ETR) variable, which is used as a measurement of tax avoidance as the dependent variable in this study is measured by dividing the total tax burden by the profit before tax. The effective tax rate (ETR) approach is able to describe tax avoidance and provide a comprehensive picture of changes in the tax burden because it represents current and deferred taxes (Hanlon and Heitzman, 2010). Companies that have lower ETR rates have a tendency to engage in tax avoidance by reducing taxable income while maintaining their financial accounting profits.

In the second variable, namely Tax Haven, as the first independent variable describes the ownership of corporate affiliations in tax havens (tax haven). A minimum value of 0 indicates that the company has no affiliation in a tax haven. Meanwhile, a maximum value of 1 indicates that the company has affiliates in tax havens.

The third variable, namely RPT Sales Describe the value of the company's transactions with related parties from the sales side to the company's total assets. The average value of the descriptive statistical results is 0.09 with a standard deviation of 0.20. The largest value of 1.39 was found in PT Unggul Indah Cahaya Tbk. While the lowest value of 0, indicates that the company does not make sales transactions with related parties.

The fourth variable, RPT Purchases shows the value of the company's purchase transaction with related parties to total assets. The mean value of this variable is 0.04 with a standard deviation of 0.08. The largest value is 0.76 found in PT Indomobil Sukses Internasional Tbk in the 2012 financial year. The lowest value is 0 indicating that the company has not made a purchase transaction with related parties.

The fifth variable, RPT Receivables shows the value of the company's receivables transactions with related parties to total assets. The average value of this variable is 0.2 with a standard deviation of 0.4. The highest value of 0.36 was found at PT Alakasa Industrindo Tbk in the 2016 financial year. The lowest value of 0 means that the company does not conduct receivables transactions with related companies.

The sixth variable, PTR Payable shows the value of the company's debt transactions with related parties to total assets. The average value of this variable is 0.01 with a standard deviation of 0.04. The highest value of 0.61 was found in PT Trikomsel Oke Tbk in the 2021 financial year. The lowest value of 0 indicates that the company does not conduct debt transactions with related companies.

The next variable, the control variable, is FSize which shows the size of the company assessed using the natural logarithm of total assets, with an average value of 29.51 with a standard deviation of 1.58. The highest value of 32.82 was found at PT Indofood Sukses Makmur Tbk for the 2021 financial year. The lowest value of 18.17 was found in PT Leyand International Tbk for the 2021 financial year. Next control variable

Roa which shows profitability with an average value of 0.02 with a standard deviation of 0.18. The largest value of 0.62 was found in PT Bayan Resources Tbk in the 2021 financial year, and the lowest of -2.23 in PT Trikomsel Oke Tbk in the 2020 financial year. The last control variable is CapInt or Capital Intensity which shows how much the company invests its assets in the company's fixed assets. The average value was 0.39 with a standard deviation of 0.23. The highest value of 0.95 was found in PT Leyand International Tbk in fiscal year 2013, while the lowest value of 0 indicates that the company did not invest its assets in fixed assets.

Model Determination

In panel data testing, to determine the best model in research, it is necessary to test the model to determine the best model between CEM, FEM and REM models from the four research models as presented in the table below.

Table 2. Model Test Results for Model 1

Test Type	Value	Result
Test Chow	Prob. Cross-section F = 0.0000	FEM
Uji Hausman	Prob. Cross-section random = 0.6755	REM
LM Test	Prob. Breusch-Pagan = 0.0000	REM
Conclusion		**REM**

Source: Processed researchers

Table 3. Model Test Results for Model 2

Test Type	Value	Result
Test Chow	Prob. Cross-section F = 0.0000	FEM
Uji Hausman	Prob. Cross-section random = 0.6750	REM
LM Test	Prob. Breusch-Pagan = 0.0000	REM
Conclusion		**REM**

Source: Processed researchers

Table 4. Model Test Results for Model 3

Test Type	Value	Result
Test Chow	Prob. Cross-section F = 0.0000	FEM
Uji Hausman	Prob. Cross-section random = 0.5752	REM
LM Test	Prob. Breusch-Pagan = 0.0000	REM
Conclusion		**REM**

Source: Processed researchers

Table 5. Model Test Results for Model 4

Test Type	Value	Result
Test Chow	Prob. Cross-section F = 0.0000	FEM
Uji Hausman	Prob. Cross-section random = 0.6846	REM
LM Test	Prob. Breusch-Pagan = 0.0000	REM
Conclusion		**REM**

Source: Processed researchers

From testing the best estimation model against the four research models, the results of model testing were obtained using Random Effect Model (REM).

Classical Assumption Test

According to Gujarati & Porter (2009), only equations using the Generalized Least square (GLS) method satisfy classical assumptions. In Eviews, the only estimation model that uses the GLS method is the Random Effect Model (REM), while the Common Effect Model (CEM) and Fixed Effect Model (FEM) use the Ordinary Least Square (OLS) method. Based on this, this study does not require a test of the classical assumptions of auto correlation and heteroscedasticity. The required test is a multicollinearity test, that is, by using the Pearson correlation matrix.

Table 6. Pearson Correlation Matrix Results

	ETR	TH	RPT_SALES	RPT_PURC	RPT_RECEIV	RPT_PAYABLE	FSIZE	ROA	CAPINT	CBCREQ_POST
ETR	1.000									
TH	-0.071	1.000								
RPT_SALES	-0.014	-0.005	1.000							
RPT_PURC	0.056	-0.095	0.183	1.000						
RPT_RECEIV	-0.002	-0.088	0.775	0.119	1.000					
RPT_PAYABLE	0.025	0.039	-0.002	0.277	0.005	1.000				
FSIZE	0.028	0.217	0.056	0.184	-0.005	-0.165	1.000			
ROA	0.022	-0.137	0.132	0.143	0.094	-0.351	0.265	1.000		
CAPINT	0.001	0.026	-0.031	-0.069	-0.039	-0.008	0.065	-0.035	1.000	
CBCREQ_POST	0.033	0.129	0.071	0.103	0.082	-0.020	0.470	0.112	-0.027	1.000

Source: Processed researchers

The Multicollinearity Test aims to determine whether the research model has a correlation between independent variables. Based on the results of data processing in the study in the table above, no correlation value above 0.8 was found between research variables. This shows that all research variables are not indicated by symptoms of multicollinearity or do not have a strong correlation.

Research Model Regression Results

Regression Results Model 1

Based on the model selection testing that has been done, the selected regression model is the Random Effect Model. Based on the regression results, simultaneous tests are seen at the value of Prob. F-stat, which is performed to test whether independent variables jointly or simultaneously affect the dependent variable. If the value of Prob. F-stat is less than the alpha value or 0.05, then the independent variable is shown to simultaneously affect the dependent variable. Based on the table, it is known the value of Prob. F-stats of 0.000000 < 0.05, thus proving that independent variables simultaneously

affect the dependent variable in model 1.

Table 7. Regression Results Model 1

Variable	Coefficient	Significance
Tax Haven	-0.061306	0.0168
RPT_Purchases	0.083122	0.2965
FSize	0.017832	0.0531
Roa is a	0.555401	0.0000
CapInt	0.041017	0.4326
Adjusted R-squared	0.033554	
Prob. F State	0.000000	

Source: Processed researchers

Next, based on the results of regression with the dependent variable of tax avoidance, the adjusted R-squared value is known to be 0.033554 or 0.33%, which states that the dependent variable can be explained by variations of the independent variables by 0.33%, while the rest, namely 99.67% is explained by other variables outside the model.

Next, based on the value of Prob. t-stat of each independent variable, it is known that the Tax Haven variable has a significant effect on the dependent variable of tax avoidance (ETR) by showing a negative relationship. This shows that if the company utilizes affiliates in tax haven countries, the company tends to lower the ETR which shows an indication of tax avoidance. Meanwhile, the RPT Sales variable does not have a significant effect on tax avoidance.

Regression Model 2 Results

Based on the regression model 2 known value of Prob. F-stats of 0.000001 < 0.05, thus proving that the independent variables simultaneously affect the dependent variable in model 2.

Table 8. Regression Model 2 Results

Variable	Coefficient	Significance
Tax Haven	-0.062095	0.0166
RPT_Purchases	-0.069351	0.7367
FSize	0.018577	0.0473
Roa is a	0.580233	0.0000
CapInt	0.040985	0.4351
Adjusted R-squared	0.032447	
Prob. F State	0.000001	

Source: Processed researchers

Next, based on the results of regression with the dependent variable of tax avoidance, the adjusted R-squared value is known to be 0.032447 or 0.32%, which states that the dependent variable can be explained by variations of the independent variables by 0.32%, while the rest, namely 99.68% is explained by other variables outside the model.

Next, based on the value of Prob. t-stat of each independent variable, it is known that the Tax Haven variable also has a significant effect on the dependent variable of tax

avoidance (ETR) by showing a negative relationship. Meanwhile, the variable RPT Purchases does not have a significant effect on tax avoidance.

Regression Results Model 3

Based on the regression model 3 known value of Prob. F-stats of 0.000001 < 0.05, thus proving that independent variables simultaneously affect the dependent variable in model 3.

Table 9. Regression Results Model 3

Variable	Coefficient	Significance
Tax Haven	-0.060721	0.0180
RPT_Receivables	0.124699	0.7687
FSize	0.018033	0.0509
Roa is a	0.572368	0.0000
CapInt	0.042500	0.4168
Adjusted R-squared	0.032474	
Prob. F State	0.000001	

Source: Processed researchers

Next, based on the results of regression with the dependent variable of tax avoidance, the *adjusted R*-squared value is known to be 0.032474 or 0.32%, which states that the dependent variable can be explained by variations of the independent variables by 0.32%, while the rest, namely 99.68% is explained by other variables outside the model.

Next, based on the value of Prob. t-stat of each independent variable, it is known that the Tax Haven variable also has a significant effect on the dependent variable of tax avoidance (ETR) by showing a negative relationship. Meanwhile, variable RPT Receivables do not have a significant effect on tax avoidance.

Regression Results Model 4

Based on the regression model 4 known value of Prob. F-stats of 0.000001 < 0.05, thus proving that the independent variables simultaneously affect the dependent variable in model 4.

Table 10. Regression Results Model 4

Variable	Coefficient	Significance
Tax Haven	-0.061336	0.0171
RPT_Payables	-0.321042	0.7061
FSize	0.017881	0.0538
Roa is a	0.573653	0.0000
CapInt	0.042342	0.4192
Adjusted R-squared	0.032475	
Prob. F State	0.000001	

Source: Processed researchers

Next, based on the results of regression with the dependent variable of tax avoidance, the *adjusted R-squared* value is known to be 0.032475 or 0.32%, which states that the dependent variable can be explained by variations of the independent variables

by 0.32%, while the rest, namely 99.68% is explained by other variables outside the model.

Next, based on the value of Prob. t-stat of each independent variable, it is known that the Tax Haven variable also has a significant effect on the dependent variable of tax avoidance (ETR) by showing a negative relationship. Meanwhile, *variable RPT Payables* does not have a significant effect on tax avoidance.

Moderation Test

The moderation variable in this study is Country-by-Country Reporting (CbCR) regulation. This variable uses a dummy variable, namely 1 if the company meets the consolidated gross circulation threshold of IDR 11 trillion based on the Regulation of the Director General of Taxes Number PER-29/Pj./2017 (PER-29/2017), while 0 if not, and 1 for the period after the enactment of CbCR, namely 2017-2021, while 0 for the period before the enactment of CbCR, namely 2012-2016.

Table 11. Regression Test Results Model 1 with Moderation Variables

Variable	Coefficient	Significance
Tax Haven	-0.064662	0.0116
RPT_Sales	0.086487	0.2840
FSize	0.015198	0.1094
Roa is a	0.548745	0.0000
CapInt	0.045065	0.3816
TH_CbCReq_Post	0.023358	0.4646
RPTSales_CbCReq_Post	-0.004492	0.9753

Source: Processed author

Table 12. Model 2 Regression Test Results with Moderation Variables

Variable	Coefficient	Significance
Tax Haven	-0.065508	0.0118
RPT_Sales	-0.108896	0.6127
FSize	0.016177	0.0962
Roa is a	0.577426	0.0000
CapInt	0.044375	0.3942
TH_CbCReq_Post	0.008630	0.7998
RPTSales_CbCReq_Post	0.239989	0.4822

Source: Processed author

Table 13. Model 3 Regression Test Results with Moderation Variables

Variable	Coefficient	Significance
Tax Haven	-0.063566	0.0125
RPT_Sales	0.033375	0.9390
FSize	0.015044	0.1103
Roa is a	0.564773	0.0000
CapInt	0.047155	0.3567
TH_CbCReq_Post	0.012169	0.7034
RPTSales_CbCReq_Post	0.620901	0.4492

Source: Processed author

Table 14. Regression Test Results Model 4 with Moderation Variables

Variable	Coefficient	Significance
Tax Haven	-0.063097	0.0140
RPT_Sales	-0.633341	0.4717
FSize	0.014378	0.1327
Roa is a	0.576270	0.0000
CapInt	0.044457	0.3894
TH_CbCReq_Post	0.005311	0.8680
RPTSales_CbCReq_Post	2.309569	0.2126

Source: Processed author

Based on the results of the Random Effect Model regression by including moderation variables, all significance values of independent variables were obtained after moderating the CbCR variable exceeded the Alpha value of 0.05. This shows that CbCR regulations cannot moderate the effect of Tax Haven, RPT Sales, RPT Purchase, RPT Receivable and RPT Payable on tax avoidance (ETR).

DISCUSSION

Tax Haven

Companies that have affiliates in Tax Haven countries are proven to have a tendency to tax avoidance. The negative coefficient value indicates that companies that utilize Tax Haven tend to lower the Effective Tax Rate, which indicates the possibility of tax avoidance due to the opportunity for intra-group profit shifting from countries with high tax rates to countries with low tax rates (Desai & Dharmapala, 2009; Joshi, 2020; Klassen et al., 2017).

Tax haven has characteristics that encourage utilization for tax avoidance. Country Tax haven prioritizing data confidentiality, limiting information exchange with other countries, and offering a lack of transparency regarding financial and taxation arrangements (Bolwijn et al., 2018). In addition, Companies that utilize tax haven may reduce the effectiveness of external monitoring by taxation authorities and regulators (Atwood & Lewellen, 2019). This is in line with agency theory regarding agency conflicts between company management and the government, which are caused by differences in interests between management and the government. Government has an interest in collecting taxes, whereas management has an incentive to reduce the tax burden of companies to increase net profits and corporate value (Lampenius et al., 2021; Nerudova et al., 2023).

Related Party Transactions

Overall, Related Party Transaction variables, namely sales, purchases, receivables and payables have no effect on tax avoidance. This finding is in line with Barker et al (2019) that transactions with related parties do not have a significant effect on tax avoidance.

In 2011, the Government of Indonesia through the Director General of Taxes issued Regulation of the Director General of Taxes Number 32/Pj./2011 concerning the Application of the Principles of Fairness and Business Customs in Transactions between Taxpayers and Parties Having a Special Relationship which states that in transactions

between Taxpayers and parties who have a special relationship, companies must apply the principle of fairness and business priority in terms of reporting transaction value as a basis The calculation of taxable income, so transactions between parties who have a special relationship must be proportional to market value. This shows that existing regulations related to related party transactions have been running effectively. This is in line with the findings of Park (2018), which examines that effective regulation of related-party transactions can minimize tax avoidance practices through related-party transactions.

Control Variables

This study used three control variables, namely company size (Fsize), profitability (RoA) and capital intensity (CapInt). Based on the regression test conducted, the variables of company size and capital intensity have no effect on tax avoidance. While the variable profitability affects tax avoidance.

Moderation Variables

Country by Country Reporting regulations in Indonesia have proven to be ineffective in minimizing tax avoidance practices, especially through the use of Tax Havens. This research is in line with Joshi's (2020) findings that CbCR has very little impact on profit shifting. This is likely due to changes in the behavior of multinational companies in tax avoidance (Joshi, 2020).

In practice, the implementation of CbCR regulations in developing countries often encounters obstacles and challenges. These include difficulties regarding access to CbCR information and its utilization (Cooper & Nguyen, 2020). The limited information approach of CbCR impacts the ability of developing countries to access the report. In addition, this approach could hamper multinational companies' transparency obligations and hamper the OECD's mission to promote a more transparent tax environment. Making CbCR publicly available is believed to be the most effective way to ensure corporate transparency (Cooper & Nguyen, 2020). Public disclosure is expected to increase transparency and minimize aggressive tax avoidance practices (Klassen et al., 2017).

Conclusion

The results of this study, which analyzed data on multinational companies on the Indonesia Stock Exchange during the period 2012-2021, show that tax haven utilization has a significant effect on tax avoidance practices. Conversely, there is no evidence to support the effect of related party transactions on tax avoidance. These findings illustrate the effectiveness of regulations governing transactions with related parties in controlling potential tax avoidance by multinational companies.

However, in the context of Country-by-Country Reporting (CbCR) regulations, this study shows that there has been no moderating effect on the relationship between Tax Haven Utilization and Related Party Transactions and tax avoidance. This shows that the existing formulation of CbCR regulations has not fully succeeded in addressing tax avoidance practices, especially through the utilization of tax haven countries. Affiliation with tax havens still provides significant opportunities for tax avoidance, driven by confidentiality laws and limitations on information exchange that can reduce the effectiveness of government surveillance. This conclusion provides an important understanding for policymakers to evaluate and further improve tax policies to face the challenges of tax avoidance in the context of economic globalization.

Suggestion

To increase the depth of understanding of multinational tax avoidance practices, the authors suggest further research involving additional variables related to the types of related parties, such as financial transactions, investments, and capital. A more holistic analysis of relationships with related parties is expected to provide deeper insights into the dynamics of tax avoidance in the context of economic globalization. In addition, future research may also broaden the scope by adopting alternative calculation methods to investigate the impact of tax haven country utilization and related party transactions on tax avoidance. With a more varied and holistic approach, it is hoped that future research can make a more significant contribution in understanding the complexity of tax avoidance practices by multinational companies as well as become a solid basis for more effective tax policies.

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