

ABSTRACT

This study aims to examine the effect of transfer pricing and earnings management on tax avoidance with corporate governance as a moderating variable. The dependent variable used in this study is tax avoidance which is measured by Effective Tax Rate (ETR) and the independent variable used in this study is transfer pricing which is measured by five indexes that affect transfer pricing activity, whereas earnings management is measured by discretionary accruals from the modified Jones model. Then, the moderating variable of the audit committee is measured by using three proxies, such as size of the audit committee, audit committee educational background, and audit committee meetings, whereas the moderating variable of independent commissioner is measured by using the proportion of independent commissioners.

The population in this study is manufacturing companies listed on the Indonesia Stock Exchange in 2016-2019. Sampling used purposive sampling method to collect data. Total sample which is used in this study is 48 that consisted 12 companies for 4 years. The test analysis used moderated regression analysis (MRA) absolute difference value.

The result of this study showed that transfer pricing and earnings management have significant positive effects on tax avoidance. Then, size of the audit committee, audit committee educational background, audit committee meetings can decrease the relationship between earnings management and tax avoidance, whereas the proportion of independent commissioners cannot decrease the relationship between earnings management and tax avoidance. Size of the audit committee, audit committee educational background, audit committee meetings, and proportion of independent commissioners cannot decrease the relationship between transfer pricing and tax avoidance.

Keywords: tax avoidance, transfer pricing, earnings management, audit committee, independent commissioners