

ABSTRACT

Base Erosion and Profit Shifting (BEPS) issue has attracted a lot of research throughout the world. BEPS as known profit shifting is the activity of transferring profits from company to another ones in different countries which is motivated by differences in tax rates between countries. Profit shifting activity can reduce tax revenues for countries that apply normal or high tax rates in their taxation system, and can encourage the creation of injustice in the global economy.

The research examined the effect of IFRS convergence on profit shifting behavior by multinational companies in Indonesia and placing disclosure quality as mediating variables in relationship between IFRS convergence and profit shifting. Audit quality variables placing as moderating variables in relationship between IFRS convergence and disclosure quality.

The study used samples 63 multinational companies listed on the Indonesia Stock Exchange 2012-2018, the companies as subsidiaries and owned at least 50% ownership of their parent companies in outside Indonesia. This study was tested using SPSS statistical tools with the assumption that the scross section data and time series were considered constant.

Hypothesis testing results showed that two out of four proposed hypotheses accepted. IFRS convergence has a positive and significant effect on disclosure quality, and audit quality variables have a positive and significant effect on the relationship between IFRS convergence and disclosure quality, audit quality played a role as a moderating variable. Deltatax interaction variables and IFRS convergence have positive not significant effect on profit shifting, that is indicating the implementation of IFRS convergence in Indonesia does not have an influence on profit shifting behavior yet. While the disclosure quality variable have positive not significant effect on profit shifting. R2 in research model 1 showed the effect of 68% of the independent variables while other influences are caused by other variables. While R2 in model 2 showed the effect of 6% of the independent variables while other influences are caused by other variables.

Keywords: IFRS convergence, Profit Shifitng, Dislosure Quality, Audit Quality