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Research Article

The Effect of Transfer Pricing and Leverage on Tax Avoidance with Independent Commissioners as Moderation

(Study of Manufacturing Companies Listed on the Indonesian Stock Exchange for the 2019-2024 Period)

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Abstract. This study aims to determine and analyze the influence of Transfer Pricing and Leverage on Tax Avoidance with independent commissioners as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange for the period 2019 – 2024. The study method applied in this study is an explanatory study method. In this study, study objects are divided into two types, namely material and formal objects. This study applies a quantitative approach with the characteristics of a replication study. The sampling technique used in this study is purposive sampling with a total of 486 annual financial statements. Using moderation regression analysis, this study shows that Transfer Pricing has a negative and significant effect on Tax Avoidance, while Leverage has a positive and significant effect on Tax Avoidance. Independent commissioners are not able to moderate the effect of transfer pricing on tax avoidance and independent commissioners are not able to moderate the effect of leverage on tax avoidance.

Keywords: Independent Commissioner; Leverage; Manufacturing Companies; Tax Avoidance; Transfer Pricing.

1. Introduction

Indonesia is known to be a developing country that relies on tax revenues as part of its source of state revenue. State income obtained from taxes plays a crucial role in providing support for the realization of the economy and equal distribution of social welfare. With tax revenues, the state is known to be able to implement development programs, including the realization of infrastructure, improving the quality of education, providing health services, and social security programs (Mendrofa et al.,2025). Tax revenue is very important to support the country's economy, (Silitonga & Wijaya, 2021). Without taxes, most state activities are difficult to carry out, (Sari, 2016).

The importance of tax revenues for state revenues is reflected in the posture of the State Revenue and Expenditure Budget (APBN). The tax revenue target in 2024 is IDR 1,988.9 trillion, where the percentage of tax revenue is 71% of the total state revenue target of IDR 2,802.3 trillion.

Figure 1. 2024 APBN Revenue Target.
Source: ekonomi.bisnis.com (processed by the author)

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In Figure 1, it can be seen that the source of the 2024 APBN comes from tax revenues amounting to 71%, customs duties 11%, non-tax state revenues (PNBP) 18%, and grants 0.4%.

Considering that the large proportion of the APBN comes from tax revenues, the government continues to strive to optimize and expand its tax revenue base so that the revenue target is achieved. Despite this, the realization of state revenues from tax revenues in 2024 is still below the target. Realized tax revenue in 2024 was recorded at IDR 1,932.4 trillion or only 96.7% of the revenue target of IDR 1,988.9 trillion, Kompas.com (accessed 27 November 2025). Not only that, the government's ability to collect tax revenues as measured by the tax ratio in recent years has also stagnated. This is not in line with the growth in tax revenues during 2020 - 2024 which experienced positive growth.

Reporting from (Kompas) published on November 13 2025, the trend of investment realization in Indonesia has continued to increase in recent years. However, on the other hand, the tax ratio has actually decreased, it turns out that investment activity has not fully had an impact on tax revenues. Chairman of Commission What is of concern is that in 2020 the tax ratio was 8.33%. Then it rose to 9.11% in 2021 and briefly reached 10.41% in 2022. However, it decreased in 2023 to 10.31% and fell again to 10.07% in 2024 (Pakpahan, 2025). Based on the Statistical Review in Asia and the Pacific 2025 released by the OECD, Indonesia's tax ratio in 2023 will only be 12%, which is still far from the average for Asia Pacific countries which is 19.6% (Wildan, 2025).

Based on this phenomenon (Putra, 2024) states that one of the causes of the low tax ratio is due to tax avoidance. The tax system in Indonesia which still uses a self-assessment system or personal data collection allows taxpayers to report their taxes not in accordance with the rules. Tax avoidance is an effort by company management to reduce the obligation to pay taxes by exploiting loopholes in applicable regulations (Pratama, 2024). Tax avoidance is one of the problems that hinders the optimization of tax revenues (Salmon et al, 2025).

The phenomenon of tax avoidance in Indonesia was carried out by PT Adaro Energy Tbk in 2019. Tax avoidance was carried out by PT Adaro through transfer pricing. In practice, PT Adaro Energy sells coal at below market prices to its subsidiary in Singapore, Coaltrade Services International Pte Ltd. Then, Coaltrade resells the coal to its global customers at the actual market price. Because of this, profits flow to Singapore with a lower tax rate than Indonesia, while Indonesia loses potential tax revenue that should be its right (Thanawati et al., 2025).

The tax evasion case carried out by PT Adaro Energy Tbk has been proven to have been carried out in the period 2009 to 2017. With this action, the company was able to pay lower taxes amounting to IDR 1.75 trillion. Apart from PT Adaro Energy Tbk, the phenomenon of tax avoidance through a transfer pricing scheme also occurred in one manufacturing company according to the Supreme Court's decision, namely put.82597/PP/M.XIIA/15/2017. This case of tax avoidance through a transfer pricing scheme emerged because the tax authority made corrections to sales. According to the tax authorities the sales amount was not within a reasonable range. According to the Taxpayer, the tax authority must first make several adjustments to the items of other income and other operational costs that have been reported by the Taxpayer in the Profit and Loss report. The Taxpayer stated that he had selected comparative data that was deemed appropriate to his business transactions. Taxpayers also said that the adjusted data would be fairer and more reliable. However, the taxpayer chose to use the TNMM method as the appropriate method, in accordance with the auditor's decision. The basis is; (a) The TP doc submitted by the Taxpayer will be checked for consistency, (b) the operating income is low, namely 2.36% (in the audited year), (c) the number of transactions with affiliated parties is large, and (d) all products have been sold to affiliates (100%) in Singapore with a lower corporate income tax

rate compared to the income tax rate in Indonesia. By the tax authorities, these sales are assumed to be a transfer of profits. In addition, according to the tax authorities non-operating income and non-operating expenses for the purposes of comparability analysis must be excluded. The judge also said that net profit should be the result of sales minus COGS and operational costs. Thus, non-operating income and non-operating expenses are not part of operating income. In addition, taxpayers are required to issue calculations related to currency exchange, sales debts/receivables, income from fixed assets, and income from scrap sold for the purpose of calculating fairness and business practices. Therefore, the judge rejected the appeal made by the Taxpayer (Tambunan et al., 2022).

Apart from transfer pricing, the phenomenon of tax avoidance can also be carried out by companies related to leverage. Research on the effect of leverage on tax avoidance by companies occurred in a dispute that was decided in Put-79851/PP/M.XIIA/15/2017, an examination of loan interest expenses from non-operational businesses and loans was carried out by the tax authority. In his opinion, the interest burden paid to shareholders is not in accordance with the fair price calculation and the tax authority cannot find reasons that can support why the taxpayer needs to get a loan, how the taxpayer uses the loan financing to run his business. In the process of disputes and objections, Taxpayers stated that for the debt to equity ratio, if an entity plans to finance its business through loan financing, it is necessary to consider whether the debt to equity ratio is still within a reasonable and acceptable range based on domestic regulations. The explanation provided by the Taxpayer cannot add substantial information about the benefits of the loan related to direct or indirect economic benefits. At the end of the appeal process the Taxpayer argued that the assessment and corrections made by the tax authority were contrary to Art. 12 PP No.94/2010 states that this regulation allows borrowers to borrow money from shareholders without interest obligations. The interest rate charged by shareholders is 3.28%. According to the Taxpayer, the interest rate is still within the range of reasonable interest rates Tambunan et al., 2022).

Much research has been conducted on the factors that influence tax avoidance. Research related to the effect of transfer pricing on tax avoidance was carried out by Nurdiansyah, & Masripah (2023). The results of the study show that this variable produces a positive influence and has significance on the dependent variable. The presence of tax avoidance is caused by weak regulations regarding transfer pricing in Indonesia which has implications for tax payments. In line with the study carried out by Hidayat et al., (2024) juga states that transfer pricing has a positive effect on tax avoidance. According to him, transfer pricing can minimize the tax burden by manipulating prices and conducting transactions with affiliates in countries with low tax rates. The results of this research are also supported by Adiguna & Ritonga (2024) which states that transfer pricing has a significant positive effect on tax avoidance. The transfer pricing practices carried out by companies indicate that there is a tax avoidance motive.

In contrast to the results of these studies, research Irawan et al., (2020) actually explains that transfer pricing has a negative influence and has significance on tax avoidance. Based on his opinion, the transfer pricing activities carried out by the company actually minimize or reduce the possibility of the company avoiding taxes and increasing the tax burden which is the responsibility of the company.

Research related to the effect of leverage on tax avoidance was carried out by Widyastuti et al., (2021) which states that leverage has a positive effect on tax avoidance. Based on the results of studies that have been carried out, companies tend to apply instruments to reduce the tax burden. In line with the study carried out by Destiana et al., (2025) also shows that leverage has a significant positive effect on tax avoidance, which shows that the higher the level of debt use, the greater the possibility of tax avoidance through interest charges. The results of this research are also supported by research results Agusta &

Sormin (2025) which states that leverage has a positive and significant effect on tax avoidance, which shows that companies with higher debt ratios tend to engage in more tax avoidance.

In the opposite direction to the results of the study, the results of the study Sulaeman (2021) actually explains that leverage has a negative influence on tax avoidance, knowing that the higher the leverage, the lower the tax avoidance. These diligent results are also supported by studies carried out by (Thoha & Wati, 2021) which states that every time a company experiences an increase in DER, tax avoidance will decrease.

Agency theory explains that a company has two interests at once, namely a company with a function between the owner who acts as the initial principle and also management who acts as an agent. The relationship regarding agency is a relationship that exists because the body is a contract between the Principal and another party which is known as an agent, with the Pal principle of making efforts to delegate work to the agent. By having a proportion of ownership of a part of the company, managers have a tendency to take action not to maximize the company, but as a matter of profit or personal interest (Hoesada, 2022). The owner's hope for managers is that they can implement and take policies that adapt to the wishes of the company. However, the reality faced is that managers can take policies that are contradictory (Trisnawati, 2021).

With the presence of a conflict of interest between the owner and the agent in a company, a mediator is needed. The existence of independent commissioners is known to be able to realize a more objective climate and as an effort to maintain justice and is expected to be able to bring a balance to the interests of the company holders and also the interests of other stakeholders, as part of the main principle in efforts to make decisions regarding the board of commissioners (Karunia & Rusyfian, 2021).

2. Method

The study method applied in this study is an explanatory study method. This type of study has a tendency to explain cause and effect relationships between variables (Helpiastuti et al., 2025). This study applies a quantitative approach with the characteristics of a replication study, knowing that the results of hypothesis testing must be supported by previous studies, which were re-examined under different circumstances. In this study, study objects are divided into two types, namely material and formal objects. The material objects in this study are all data and information relating to transfer pricing, leverage, tax avoidance and independent commissioners for companies operating in the manufacturing sector which have been officially registered on the Indonesian Stock Exchange for the period 2019 to 2024. Meanwhile, the formal object in this study is the influence of transfer pricing and leverage on tax avoidance which is moderated by independent commissioners specifically for manufacturing companies which have officially been listed on the Indonesian Stock Exchange for the period 2019 to 2024.

The population used in this research is manufacturing companies listed on the Indonesia Stock Exchange for the period 2019 - 2024. This research uses manufacturing companies because multinational manufacturing companies are part of foreign investment where up to 90% of their shares are owned by foreign shareholders (Tambunan et al., 2022). The technique for determining the sample in this research is purposive sampling. The sample used in this research was 468 Annual Financial Reports of manufacturing companies listed on the IDX during 2019 - 2024.

3. Result and Discussion

Result

Descriptive Statistical Analysis

Descriptive statistics are applied as an effort to explain the variables in the study. The descriptive statistics applied in this study have a tendency to determine minimum values, maximum averages and standard deviations. In this study, descriptive statistical tests were carried out by applying Eviews 13. The description in this study includes 4 variables, namely Tax avoidance, Transfer pricing, Leverage and Independent Commissioner variables.

Based on the results of data processing using Eviews 13, the results of the descriptive analysis in this research can be seen in Table 1 below:

Table 1. Descriptive Statistics of Research Variables.

	ETR	TRANSFER_PRICING	DER	KOMISARIS_INDEPEDEN
Mean	0.236221	0.306223	1.054636	0.417343
Median	0.226240	0.185427	0.736129	0.400000
Maximum	0.877047	0.985737	11.32577	1.000000
Minimum	-0.787233	1.53E-05	0.061755	0.250000
Std. Dev.	0.163423	0.306331	1.201917	0.116318
Skewness	-0.584469	0.803658	3.840411	1.987995
Kurtosis	12.09678	2.315079	25.46594	9.393392
Jarque-Bera	1640.296	59.52536	10992.41	1105.337
Probability	0.000000	0.000000	0.000000	0.000000
Sum	110.5517	143.3123	493.5695	195.3167
Sum Sq. Dev.	12.47223	43.82260	674.6298	6.318417
Observations	468	468	468	468

Source: Eviews 13 Data Processing Results

Table 1 above describes the descriptive statistics of Tax avoidance, Transfer pricing, Leverage and independent Commissioners of manufacturing companies listed on the IDX for the 2019 – 2024 period.

Based on the table above, the value of the Tax avoidance variable (Y) in manufacturing companies in 2019 - 2024 which uses the effective tax rate (ETR) indicator shows that the (minimum) value of the Tax avoidance variable is -0.787, while the highest (maximum) Tax avoidance is 0.877. The average value (mean) for the Tax avoidance variable is 0.236, which is greater than the standard deviation of 0.163. These results show that the data is relatively stable and does not vary too much, so that the Tax avoidance variable in the sample has a good distribution of data so it can be relied on.

Transfer Pricing variable (X_1) in manufacturing companies in 2019 – 2024 shows that the lowest (minimum) value of the Transfer pricing variable is 0.00002, while the highest (maximum) transfer pricing is 0.985. The average (mean) value of the Transfer pricing variable is 0.3062, which is smaller than the standard deviation of 0.3063. These results show high variability for the Transfer pricing variable in the sample, or it could be said to have a large deviation indicating poor distribution of data on the Transfer pricing variable.

Leverage Variable (X_2) in manufacturing companies in 2019 - 2024 using the debt to equity ratio (DER) indicator shows that the lowest (minimum) value of the Leverage variable is 0.061, while Leverage with the highest (maximum) value is 11.325. The average (mean) value of the Leverage variable is 1.054, which is smaller than the standard deviation of 1.201. These results show high data variability for the Leverage variable in the sample, or it could be said to have a large deviation indicating poor data distribution for the Leverage variable.

The independent commissioner variable (Y) in manufacturing companies in 2019 - 2024 shows that the lowest (minimum) value of the independent commissioner variable is 0.250, while the independent commissioner has the highest (maximum) value of 1,000. The average (mean) value of the independent commissioner variable is 0.417, which is greater than the standard deviation of 0.116. These results show low data variability for the independent Commissioner variable in the sample, or it could be said to have a small deviation indicating good data distribution for the independent Commissioner variable.

Classic Assumption Test Results

Before carrying out hypothesis testing efforts by applying regression analysis to panel data, there are several assumptions that must be fulfilled in an effort to ensure that the conclusions from the relevant panel data regression are not biased, including normality, multicollinearity and heteroscedasticity tests. These tests are carried out using the help of Eviews 13 software.

a) Normality Test Results

The normality test is used to determine whether the residual data obtained is normally distributed or not.

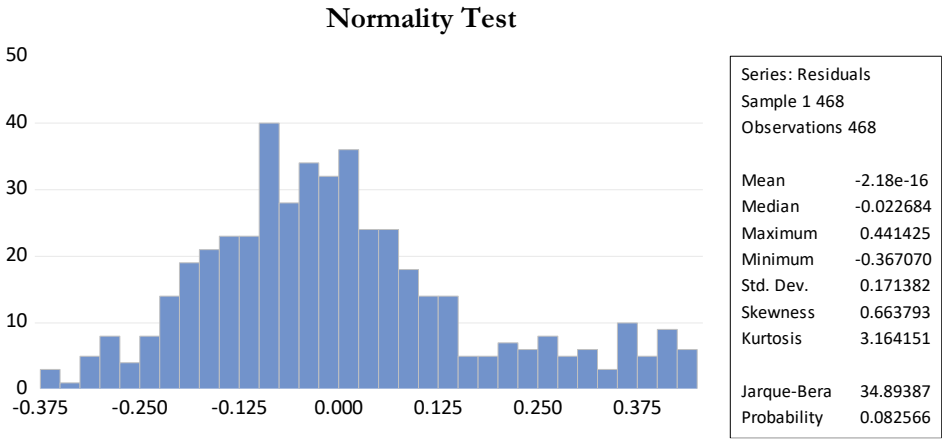

Figure 2. Normality Test Results.

Source: Eviews 13 Data Processing Results

Results of data normality testing using Histogram - Normality Test. The Jarque-Bera (JB) value is 34.89 with a probability or p-value of 0.082 which is greater than 0.05 so it can be stated that the data observed in the research period is normally distributed.

b) Multicollinearity Test Results

The multicollinearity test is used to ensure whether there is a correlation or relationship between the variables being tested, whether there is a strong relationship or not (Kasmir, 2022:264). If there is a correlation, it is said that there is a multicollinearity problem. In the effort to check whether multicollinearity is present or vice versa, it can be reviewed based on the variance inflation factor (VIF) value and the Tolerance value. The regression model is good if the Tolerance value is > 0.10 and VIF < 10. The following are the results of the multicollinearity test presented in the table below.

Table 2. Multicollinearity Test.

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.000155	2.462158	NA
TRANSFER_PRICING	9.46E-05	2.306515	1.000094
DER	0.000358	1.164825	1.000094

Source: Eviews 13 Data Processing Results

From Table 2 above, it can be seen that each independent variable has a VIF value < 10, so it can be decided that there are no symptoms of multiclonarity.

c) Heteroscedasticity Test Results

The heteroscedasticity test is used to assess the inequality of residual variance from one observation to another, (Kasmir, 2022:264). Winarno (2007) in (Saptutyningsih & Setyaningrum, 2019:194) if the probability value of Obs*R-squared is greater than α = 5% then the data is not heteroscedastic.

Table 3. Heteroscedasticity Test.

F-statistic	1.280429	Prob. F (165,137)	0.0672
Obs*R-squared	183.8083	Prob. Chi-Square (165)	0.1504

Source: Eviews 13 Data Processing Results

In table 3 the heteroscedasticity test above shows a probability value of 0.067 which is greater than 0.05, therefore it is concluded that there is no heteroscedasticity in the residual data.

d) Autocorrelation Test Results

The autocorrelation test aims to detect a relationship between the residuals from one observation and the residuals from other observations. Autocorrelation often occurs in time series data and can cause parameter estimation to be inefficient. The autocorrelation test was carried out using the Breusch Goldfrey LM (Langerage Multiplier) method. The following is the basis for decision making in the autocorrelation test:

a. If the Chi-Square value is > 0.05, then there is no autocorrelation

b. If the Chi-Square value is <0.05, then there is autocorrelation

Table 4. Autocorrelation Test.

F-statistic	1.199584	Prob. F (200,265)	0.0833
Obs*R-squared	222.3754	Prob. Chi-Square (200)	0.1329

Source: Eviews 13 Data Processing Results

In table 4 the autocorrelation test above shows a probability value of 0.083 which is greater than 0.05, therefore the decision to accept H0 is obtained with the conclusion that there is no autocorrelation in the residual data.

Results of Panel Data Regression Analysis

Panel data regression is a data analysis technique that combines two types of data, namely time series and cross section data. The independent variables used in this research are Transfer pricing and Leverage with the dependent variable being Tax avoidance. The panel data model equation is as follows:

Table 5. Unmoderated Regression Model.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.537326	0.012458	-43.13256	0.0000
TRANSFER_PRICING	-0.033646	0.009725	-3.459757	0.0006
DER	0.273370	0.018928	14.44258	0.0000

Source: Eviews 13 Data Processing Results

$$ETR = -0{,}537 - 0{,}033\ Transfer\ Pricing + 0{,}273\ DER + e$$

In Table 5 and the panel data regression equation above, it is concluded that increasing the Transfer pricing variable is able to have an influence on reducing the Tax avoidance (ETR) variable by 0.033 and increasing the Leverage (DER) variable is able to have an influence on increasing the Tax avoidance (ETR) variable by 0.273.

Table 6. Regression Model With Moderation.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.541821	0.052885	-10.24518	0.0000
TRANSFER_PRICING	0.014915	0.042770	0.348737	0.7274
DER	0.187039	0.072850	2.567461	0.0106
INDEPENDENT_ COMMISSIONER	-0.018054	0.127613	-0.141478	0.8876
TRANSFER_PRICING*INDEPEDENT_ COMMISSIONER	0.118704	0.102266	1.160736	0.2463
DER*INDEPENDENT_ COMMISSIONER	-0.223867	0.183922	-1.217182	0.2242

Source: Eviews 13 Data Processing Results

$$ETR = -0{,}541 - 0{,}014\ Transfer\ Pricing + 0{,}187\ DER - 0{,}018\ Independent\ Commissioner + 0{,}118\ Transfer\ Pricing * Independent\ Commissioner - 0{,}223\ DER * Independent\ Commissioner$$

In Table 6 and the panel data regression equation above, it can be concluded that increasing the interaction of the Transfer pricing variable with independent Commissioners is able to have an influence on increasing the Tax avoidance (ETR) variable by 0.118 and increasing the interaction of the Leverage (DER) variable with independent Commissioners is able to have an influence on reducing the Tax avoidance (ETR) variable by 0.223.

Hypothesis Testing

Hypothesis testing is applied as an effort to understand whether there is an influence on the independent variable on the dependent variable either partially or simultaneously, as well as how much influence the independent variable has on the regression model. In this study, multiple linear regression analysis is applied as an effort to predict the magnitude of the influence of these variables on the dependent variable. This test was carried out by applying the help of Eviews 13. The test results of the hypothesis were divided into two, namely a simultaneous test using the F test and a partial test using the t test. The following are the results of hypothesis testing:

a) Simultaneous Test (F Test)

Simultaneous tests are carried out to determine the effect of several independent variables together on one dependent variable. The basis for making this F Test decision is as follows:

The following are the results of hypothesis testing using simultaneous testing (F Test)

The simultaneous testing hypothesis (F test) in this research is as follows:

H01: β1; β2 = 0; Transfer pricing and leverage have no effect simultaneous and significant towards Tax avoidance

Ha1: β1; β2 ≠ 0; Transfer pricing and leverage have an influence simultaneous and significant towards Tax avoidance.

The criteria for decision making in the simultaneous test (F test) are as follows:

a) If the Sig. ≤ 0.05 then Ha is accepted and H0 is rejected, indicating that the independent variable has a simultaneous effect on the dependent variable.

b) If the Sig. > 0.05 then H0 is accepted and Ha is rejected, indicating that the independent variable does not have a simultaneous effect on the dependent variable.

The following are the results of hypothesis testing using simultaneous testing (F Test)

Table 7. Simultaneous Testing of Models Without Moderation.

R-squared	0.320781
Adjusted R-squared	0.317860
S.E. of regression	0.171750
Sum squared resid	13.71665
Log likelihood	161.9235
F-statistic	109.8050
Prob(F-statistic)	0.000000

Source: Eviews 13 Data Processing Results

In this research, the F test results can be seen in Table 7 showing a significance value of 0.000000, which is smaller than 0.05. This means that the regression model is suitable for use in this research. These results mean that the independent variables in the form of Transfer Pricing and Leverage simultaneously have a significant effect on Tax Avoidance.

Table 8. Simultaneous Model Testing With Moderation.

R-squared	0.329184
Adjusted R-squared	0.321924
S.E. of regression	0.171238
Sum squared resid	13.54696
Log likelihood	164.8364
F-statistic	45.34267
Prob(F-statistic)	0.000000

Source: Eviews 13 Data Processing Results

Based on Table 8, information on the significance value is 0.000, which is smaller than 0.05. This means that the regression model is suitable for use in this research. These results mean that the independent variables in the form of Transfer pricing*Independent Commissioner and Leverage*Independent Commissioner simultaneously have a significant effect on Tax Avoidance.

b) Coefficient of Determination Test

The coefficient of determination (R2) test was carried out as an effort to understand how far the ability of the independent variable can be a determinant of the dependent variable. The magnitude of the coefficient value lies between the numbers 0 and 1. The greater the coefficient value, the better the understanding of the independent variable's ability to explain the dependent variable. This happens or applies vice versa to find out how far the ability of the independent variable can determine variations in the dependent variable. The value of the coefficient of determination (R2) lies between 0 and 1. The greater the R2 value indicates the better the ability of the independent variable to explain the dependent variable. On the other hand, the smaller the R2 value shows the limited ability of the independent variable to explain the dependent variable (Ghozali, 2016).

Table 9. Unmoderated Model Determination Coefficient.

R-squared	0.320781
Adjusted R-squared	0.317860
S.E. of regression	0.171750
Sum squared resid	13.71665
Log likelihood	161.9235
F-statistic	109.8050
Prob(F-statistic)	0.000000

Source: Eviews 13 Data Processing Results

Based on Table 9 above, it is known that the Adjusted R-squared (R2) value is 0.317 or 31.7%. This means that 31.7% of the variation in Tax avoidance is influenced by Transfer pricing and Leverage. Meanwhile, the remaining 68.3% is influenced by other variables outside the regression model.

Table 10. Model Determination Coefficient With Moderation.

R-squared	0.329184
Adjusted R-squared	0.321924
S.E. of regression	0.171238
Sum squared resid	13.54696
Log likelihood	164.8364
F-statistic	45.34267
Prob(F-statistic)	0.000000

Source: Eviews 13 Data Processing Results

Based on Table 10, it is known that the Adjusted R-squared (R2) value is 0.321 or 32.1%. This means that 32.1% of the variation in Tax avoidance is influenced by Transfer pricing, Leverage and moderation by independent Commissioners. Meanwhile, the remaining 67.9% is influenced by other variables outside the regression model.

c) t Test

The t test or partial test was carried out to test the significance of the influence of each independent variable on the dependent variable formulated in the model (Chandrarin, 2018: 141). The criteria for decision making in the partial test (t test) are as follows:

a. If the probability value is <0.05, then Ha is accepted and H0 is rejected, shows that the independent variable has an effect on the dependent variable.

b. If the probability value is > 0.05, then Ha is accepted and H0 is rejected, shows that the independent variable has no effect on the dependent variable

Table 11. Unmoderated Model t Test.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.537326	0.012458	-43.13256	0.0000
TRANSFER_PRICING	-0.033646	0.009725	-3.459757	0.0006
DER	0.273370	0.018928	14.44258	0.0000

Source: Eviews 13 Data Processing Results

In Table 11 above, the results of the variable significance test can be obtained as follows: 1) The transfer pricing variable has a prob value. (p-value) is 0.000, which is smaller than 0.05. This shows that the Transfer pricing variable has a negative and significant effect on Tax Avoidance (ETR) with a confidence level of 95 percent. Thus, the first hypothesis (H1) is accepted. 2) The Leverage Variable (DER) has a prob value. (p-value) is 0.000, which is smaller than 0.05. This shows that the Leverage (DER) variable has a positive and significant effect on Tax Avoidance (ETR) with a confidence level of 95 percent. Thus, the second hypothesis (H2) is accepted.

Table 12. Model t test with moderation.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.541821	0.052885	-10.24518	0.0000
TRANSFER_PRICING	0.014915	0.042770	0.348737	0.7274
DER	0.187039	0.072850	2.567461	0.0106
INDEPENDENT_COMMISSIONER	-0.018054	0.127613	-0.141478	0.8876
TRANSFER_PRICING*INDEPENDENT_COMMISSIONER	0.118704	0.102266	1.160736	0.2463
DER*INDEPENDENT_COMMISSIONER	-0.223867	0.183922	-1.217182	0.2242

Source: Eviews 13 Data Processing Results

In Table 12 above, the results of the variable significance test are obtained as follows: 1) The interaction between the transfer pricing variable and the independent commissioner has a prob value. (p-value) is 0.246, which is greater than 0.05. This shows that the independent commissioner variable does not moderate the influence of the transfer pricing variable on tax avoidance (ETR) with a confidence level of 95 percent. Thus, the third hypothesis (H3) is rejected. 2) The interaction of the Leverage (DER) variable with the independent Commissioner has a prob value. (p-value) is 0.224, which is greater than 0.05. This shows that the independent Commissioner variable does not moderate the influence of the Leverage (DER) variable on Tax Avoidance (ETR) with a confidence level of 95 percent. Thus, the fourth hypothesis (H4) is rejected.

Discussion

The Effect of Transfer Pricing on Tax Avoidance

Transfer pricing is the determination of prices in transactions between companies that are affiliated or have a special relationship (Saga, 2024). By setting unreasonable or unfair prices, an entity can shift profits from an entity with a high tax rate to an entity with a low tax rate, thereby significantly reducing its tax liability (Endi, 2024).

Based on the results of the panel data regression analysis that has been carried out, the Transfer pricing variable has a value of -0.033 with prob. (p-value) is 0.000, which is smaller than 0.05. This shows that the Transfer pricing variable has a negative effect on Tax avoidance (ETR). Thus, the first hypothesis (H_1) which states that Transfer pricing has an effect on Tax Avoidance is "accepted".

In accordance with the descriptive analysis that has been carried out, the sample in this study has an average value of transfer pricing or transactions with affiliated parties of 31% of total receivables, while the average value of transactions with unaffiliated parties is 69%. This means that transactions with affiliated parties are still lower than transactions with unaffiliated parties. So that an increase in transactions with affiliated parties does not have the potential for Tax avoidance actions.

The results of this research are in contrast to agency theory, where the theory states that managers (agents) set unreasonable transfer prices to minimize the tax burden so that company profits become small and dividends are low, which can benefit the manager (agent) but is detrimental to the company owner/state (principal).

The results of this research support the results of research conducted by (Irawan et al., 2020) which states that transfer pricing activities carried out by companies actually reduce the possibility of companies avoiding tax and increase the tax burden they bear. And also supports research results Pamungkas & Setyawan (2022) and Susanto et al., (2022) which states that transfer pricing has a significant negative effect on tax avoidance.

The results of this study do not support the results of research conducted by Nurdiansyah, & Masripah (2023), Hidayat et al., (2024) and Adiguna & Ritonga (2024) which states that transfer pricing has a significant positive effect on tax avoidance.

The Effect of Leverage on Tax Avoidance

Leverage describes the proportion of a company's debt (Sukamulja, 2021). Based on the results of the panel data regression analysis that has been carried out, the Leverage variable as measured by DER has a value of 0.273 with prob. (p-value) is 0.000, which is smaller than 0.05. This shows that the Leverage (DER) variable has a positive and significant effect on Tax Avoidance (ETR). Thus, the second hypothesis (H_2) which states that Leverage has an effect on Tax Avoidance is "accepted".

The results of this research are in line with the theory put forward by Modigliani and Melton Miller which states that one of the special features of debt is that interest paid on debt can be tax deductible. Trade-off theory states that the use of debt can still be justified if the tax shield is greater than the costs due to financial distress (Sukamulja, 2021). The results of this research support the results of research conducted by (Widyastuti et al., 2021) which states that leverage has a positive effect on tax avoidance. Based on the analysis, companies tend to use debt instruments to reduce the tax burden. In line with the results of this research, the results of research (Destiana et al., 2025).

Independent Commissioners Moderate the Effect of Transfer Pricing on Tax Avoidance

The interaction between the transfer pricing variable and the independent commissioner has a prob value. (p-value) is 0.246, which is greater than 0.05. This shows that the interaction between the independent commissioner variable and the transfer pricing variable does not significantly influence tax avoidance actions carried out by companies with a confidence level of 95 percent. Thus, the third hypothesis (H_3) which states that independent Commissioners moderate the influence of Transfer Pricing on Tax Avoidance is "rejected".

This is not in line with the stated theory Karunia & Rusyfian (2021) that the purpose of establishing independent commissioners is to control and condition the company climate so that it remains conducive, objective, independent, full of fairness, and there is a balance between the rights of minority and majority investors and other stakeholders. The role of independent commissioners who act as supervisors and align the interests of agents and principals in this research is not yet fully effective.

The results of this research support the results of research conducted by (Yohana et al., 2022) dan Lestari & Tarmizi (2023) which stated that independent commissioners were proven not to moderate the influence of transfer pricing on tax avoidance. However, the results of this study are not in line with the results of research conducted by Pramita & Susanti (2023) which states that an independent board of commissioners is able to moderate the influence of transfer pricing on tax avoidance.

Independent Commissioners Moderate the Effect of Leverage on Tax Avoidance

The interaction of the Leverage (DER) variable with the independent Commissioner has a prob value. (p-value) is 0.224, which is greater than 0.05. This shows that the interaction between the independent commissioner variable and leverage does not have a significant effect on tax avoidance actions carried out by companies with a confidence level of 95 percent. Thus, the fourth hypothesis (H_4) which states that independent Commissioners moderate the influence of Leverage on Tax Avoidance is "rejected".

The results of this research illustrate that the supervisory role of independent commissioners has not been able to strengthen or weaken the influence of leverage on the possibility of companies taking tax avoidance. This is contrary to agency theory where the existence of independent commissioners is expected to reduce conflicts of interest between

management and owners, especially in utilizing the proportion of debt and its impact on tax avoidance.

The results of this research support the results of research conducted by (Destiana et al., 2025) which states that independent commissioners do not moderate the influence of leverage and tax avoidance. However, the results of this study do not support the results of research conducted by Sofyan & Ruslim (2024) which states that the proportion of independent commissioners moderates the influence of leverage on tax aggressiveness.

4. Conclusion

Based on data analysis efforts and discussions that have been carried out regarding the influence of the independent variable on the dependent variable, this study presents the conclusions explained below as a result of the data analysis and discussion that has been carried out regarding the influence of transfer pricing and leverage on tax avoidance with independent commissioners as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange for the period 2019 - 2024. This research concludes as follows: 1) Transfer pricing has a negative and significant effect on tax avoidance. Sample companies do not use transactions with affiliated parties to carry out tax avoidance actions. 2) Leverage has a positive and significant effect on Tax avoidance. The sample company uses leverage to carry out tax avoidance actions. 3) Independent commissioners are unable to moderate the influence of transfer pricing on tax avoidance. The supervisory role of independent commissioners has not been effective in influencing tax avoidance through transfer pricing schemes. 4) Independent commissioners are unable to moderate the influence of leverage on tax avoidance. The supervisory role of independent commissioners has not been effective in influencing tax avoidance actions that utilize leverage.

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