

Impact of Transfer Pricing, Capital Intensity, Audit Quality, and Financial Distress on Tax Avoidance

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Abstract

This study aims to examine the effect of transfer pricing, capital intensity, audit quality, and financial distress on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange during the period 2021–2023. A quantitative approach was employed using secondary financial data obtained from company reports. Multiple linear regression analysis was conducted to determine both the partial and simultaneous influence of each independent variable on tax avoidance. The results indicate that transfer pricing, audit quality, and financial distress have no significant effect on tax avoidance. Conversely, capital intensity demonstrates a significant negative effect, suggesting that firms with a higher proportion of fixed asset investment tend to engage less in tax avoidance practices. The simultaneous F-test further shows that all independent variables collectively affect tax avoidance. These findings contribute to a deeper understanding of the determinants of tax avoidance within the property and real estate sector and provide implications for policymakers in strengthening tax compliance.

Keywords: Tax Avoidance, Transfer Pricing, Capital Intensity, Audit Quality, Financial Distress

INTRODUCTION

The issue of tax avoidance has become increasingly prominent in global discussions on transparency and fairness in corporate taxation. In Indonesia, tax avoidance continues to represent a significant challenge for the government, as it contributes to substantial state revenue losses each year (Pertiwi & Masripah, 2023). The Directorate General of Taxes (DGT) has emphasized that companies often exploit gaps within tax regulations to legally minimize tax burdens, highlighting the importance of understanding the determinants of tax avoidance practices within various sectors (Isnaini et al., 2024). As taxes constitute a major source of state revenue and play a critical role in financing public services such as education, health, and infrastructure development, efforts to strengthen compliance remain a national priority (Ramadhani, 2022). Within this context, understanding corporate behavior related to tax planning and avoidance becomes essential for policymakers and stakeholders at large.

The property and real estate sector is one of Indonesia's most strategically important industries, yet it is also considered high-risk due to large asset bases, frequent related-party transactions, and susceptibility to aggressive tax planning (Desyana & Yanti, 2020). Financial pressures during and after the COVID-19 pandemic, including declining profitability and liquidity constraints, further increased incentives for firms to engage in tax avoidance (Prabowo & Sahlan, 2022). High-profile cases such as PT Agung Podomoro Land Tbk and PT Ciputra Development Tbk revealed in the Panama Papers demonstrate the ongoing challenges in detecting sophisticated profit-shifting schemes (CNN Indonesia, 2016; Global Witness, 2017).

Several corporate characteristics play a central role in shaping tax avoidance behavior, including transfer pricing, capital intensity, audit quality, and financial distress. Transfer pricing enables firms to shift profits through related-party transactions, while capital intensity influences

tax deductions through depreciation (Aini & Kartika, 2022; Pertiwi & Masripah, 2023). Audit quality also serves as a monitoring mechanism, as reputable auditors tend to impose stricter oversight (Randyantini & Shieto, 2021). Meanwhile, companies facing financial distress may adopt aggressive tax strategies to preserve liquidity (Simanjuntak & Suranta, 2024). Within agency theory, these dynamics reflect managerial incentives and monitoring effectiveness in shaping corporate tax decisions.

Considering these conditions, this study examines the influence of transfer pricing, capital intensity, audit quality, and financial distress on tax avoidance among property and real estate companies listed on the Indonesia Stock Exchange for the 2021–2023 period. Although prior studies have explored tax avoidance, limited research analyzes these four variables simultaneously within this high-risk sector, particularly in the post-pandemic recovery era. Addressing this gap provides empirical evidence to support regulatory improvements and enhance tax compliance frameworks in Indonesia's property and real estate industry.

Agency Theory

Agency theory, introduced by Jensen and Meckling (1976), explains the contractual relationship between principals (shareholders) and agents (managers), where conflicts arise due to differing interests and information asymmetry. Managers may act opportunistically to maximize personal benefits, especially when incentives and monitoring are weak, leading to behaviors such as aggressive tax avoidance as a means to influence reported performance. This theory provides a framework for understanding why firms engage in tax-minimizing strategies and how managerial decisions may diverge from shareholder objectives.

Tax Avoidance

Tax avoidance refers to a company's effort to minimize tax obligations through legal tax planning strategies that exploit loopholes or grey areas within tax regulations. Although it does not violate the law, tax avoidance reduces the government's tax revenue and is often associated with managerial opportunism as described in agency theory. Companies may shift profits, manipulate timing of revenue and expenses, or utilize specific transactions to reduce taxable income, particularly in sectors with complex financial structures such as property and real estate (Kuncoro & Surjandari, 2023).

Transfer Pricing

Transfer pricing refers to the practice of determining prices in transactions between parties with a special relationship, as regulated under PER-32/PJ/2011 and PER-43/PJ/2010. According to the OECD, transfer pricing involves setting arm's length prices for the transfer of goods, services, or intangible assets within entities of the same corporate group to ensure fairness and prevent artificial profit shifting. In taxation, transfer pricing becomes a concern because companies may use non-arm's-length prices to shift profits to low-tax jurisdictions, thereby reducing their tax burden (Christy et al., 2022; Hendrylie et al., 2023).

Capital Intensity

Capital intensity refers to the extent to which a company relies on fixed assets—such as property, plant, and equipment—in its operations relative to total assets or sales. A higher level of capital intensity indicates a greater proportion of fixed assets, which generate depreciation expenses that legally reduce taxable income. Because depreciation already provides natural tax savings, firms with high capital intensity may have less incentive to engage in additional tax avoidance strategies (Aini & Kartika, 2022).

Audit Quality

Audit quality refers to the auditor’s ability to detect and report material misstatements in a client’s financial statements. High-quality auditors particularly those from reputable Public Accounting Firms are expected to provide stronger oversight, enhance transparency, and reduce opportunities for tax manipulation. In this study, audit quality is measured using a dummy variable that distinguishes companies audited by Big Four firms from those audited by non-Big Four auditors (Kwabena & Kingsley, 2024).

Financial Distress

Financial distress refers to a condition in which a company experiences significant financial pressure, indicated by declining performance, reduced liquidity, and difficulty meeting its short-term obligations. In this situation, managers may face strong incentives to engage in tax-reducing strategies to preserve cash flow, which aligns with agency theory where information asymmetry and conflicting interests between principals and agents become more pronounced. Prior studies show that firms in financial distress are more likely to adopt tax avoidance to maintain operational continuity (Qalbi & Asmara, 2022; Reskino & Darma, 2023).

RESEARCH METHODS

This study uses a quantitative approach with secondary data obtained from the annual financial statements of property and real estate companies listed on the Indonesia Stock Exchange (IDX) for the 2021–2023 period. The sample was selected using purposive sampling based on criteria such as the availability of complete financial reports and disclosure of related-party transactions. The data in this study were analyzed using multiple linear regression to examine both the simultaneous and partial effects of the independent variables on the dependent variable.

The statistical procedures were carried out using SPSS version 26, following a structured sequence of analytical steps. These steps included descriptive statistical analysis, followed by classical assumption testing consisting of normality testing, multicollinearity testing, heteroscedasticity testing, and autocorrelation testing. After meeting these assumptions, the regression model was estimated, and its significance was evaluated using standard statistical tests, including the partial significance test (t-test), the simultaneous significance test (F-test), and the coefficient of determination (R²) to assess the explanatory power of the model.

RESULTS AND DISCUSSION

Descriptive Statistics Test

Table 1. Descriptive Statistics Analysis

	N	Descriptive Statistics			
		Minimum	Maximum	Mean	Std. Deviation
Transfer Pricing	68	.00	.87	.2599	.23977
Capital Intensity	68	.00	1.04	.0729	.13749
Audit Quality	68	0	1	.26	.444
Financial Distress	68	.47	28.81	5.9140	4.56570
Tax Avoidance	68	-.32	.05	-.0194	.05091
Valid N (listwise)	68				

Source: Data processed with SPSS, 2025

Table 1 displays the descriptive statistical results for property and real estate companies listed on the Indonesia Stock Exchange during the 2021–2023 period, based on a total of 68 observations after the outlier removal process.

Classical Assumption Test

Normality Test

The normality test is conducted to determine whether the data in the regression model are normally distributed. This step is essential because a well-specified multiple linear regression model requires the residuals to follow a normal distribution to ensure the validity of the estimation results. In this study, normality was assessed using the Kolmogorov–Smirnov (K-S) test with the assistance of SPSS version 25. The decision criterion states that if the Asymp. Sig. (2-tailed) value is greater than 0.05, the residuals are considered normally distributed; whereas if the Asymp. Sig. value is less than 0.05, the data are deemed not normally distributed. This test was applied to data that had undergone an outlier removal process to ensure a more representative distribution and to avoid bias in the regression analysis.

Table 2. Normality Test Results Before Outlier Removal

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		68
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.03041200
Most Extreme Differences	Absolute	.107
	Positive	.105
	Negative	-.107
Test Statistic		.107
Asymp. Sig. (2-tailed)		.050 ^c

a. Test distribution is Normal.

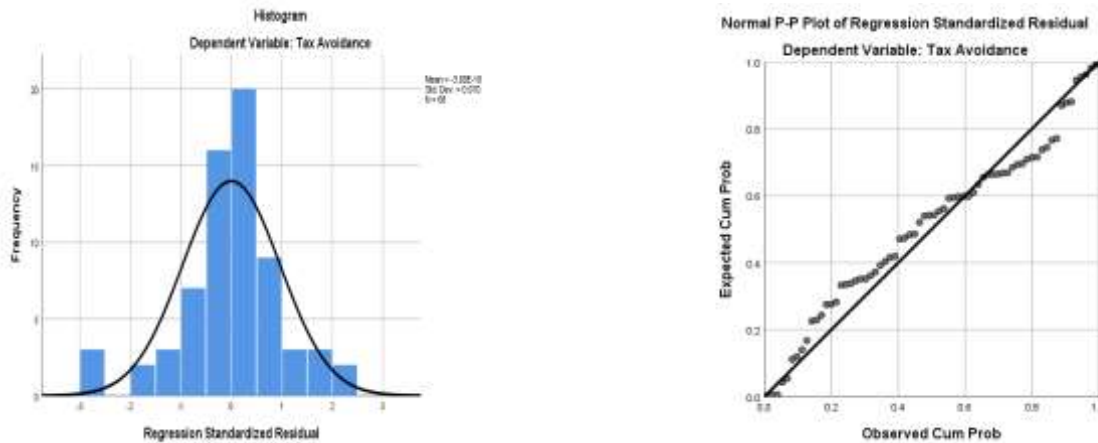
b. Calculated from data.

c. Lilliefors Significance Correction.

Source: Data processed with SPSS, 2025

The normality test conducted using the One-Sample Kolmogorov–Smirnov method produced a significance value of 0.050. This indicates that the residuals in the regression model can be considered normally distributed. The achievement of this normality result was supported by an outlier removal process carried out through fourteen stages of casewise diagnostics, which ensured that extreme data points were eliminated before the final test was performed. The normality assumption is further reinforced by the visual inspection of the histogram and the normal probability plot (P–P Plot), both of which show a distribution pattern consistent with normality. The following figures present the histogram and the normal probability plot obtained from the analysis.

Figure 1 and 2 Normality Test Results: Histogram and Normal P–P Plot



Source: Data processed with SPSS, 2025

Figure 1 illustrates the histogram generated from the normality test, showing a distribution that appears symmetrical, indicating that the data follow a normal pattern without noticeable skewness to the left or right. Furthermore, the Normal Probability Plot in Figure 2 supports this conclusion, as the plotted points align closely with the diagonal reference line and do not deviate substantially from it. These visual assessments confirm that the data in this study are normally distributed, meaning that the regression model satisfies the normality assumption.

Multicollinearity Test

The multicollinearity test aims to identify whether strong linear relationships exist among the independent variables, as such correlations can weaken the accuracy and stability of regression estimates. According to Ghozali (2021), multicollinearity is evaluated using Tolerance and Variance Inflation Factor (VIF), where low Tolerance and high VIF indicate problematic correlations between predictors. In this study, multicollinearity was assessed using these two indicators, with VIF values above 10 and Tolerance values below 0.10 suggesting the presence of multicollinearity, while VIF values below 10 and Tolerance values above 0.10 indicate that the regression model is free from multicollinearity issues.

Table 3. Multicollinearity Test Results

Model	Coefficients ^a	Collinearity Statistics	
		Tolerance	VIF
1	Transfer Pricing	.906	1.104
	Capital Intensity	.946	1.057
	Audit Quality	.948	1.055
	Financial Distress	.932	1.073

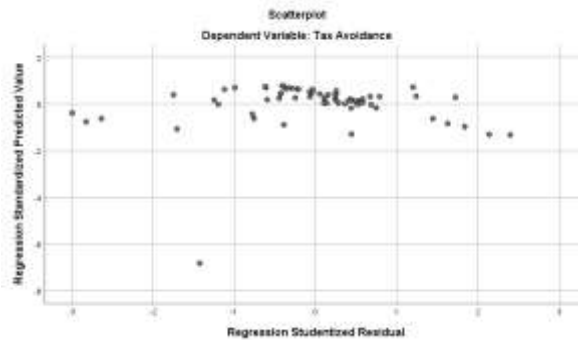
a. Dependent Variable: Tax Avoidance
Source: Data processed with SPSS, 2025

Based on the multicollinearity test results for the regression model involving transfer pricing, capital intensity, audit quality, and financial distress, all variables exhibited tolerance values above 0.1 (ranging from 0.906 to 0.948) and Variance Inflation Factor (VIF) values below 10 (ranging from 1.055 to 1.104). These results indicate the absence of significant multicollinearity, meaning that there is no high correlation among the independent variables,

allowing each variable's effect on the dependent variable, tax avoidance, to be estimated accurately and independently. Consequently, the regression model satisfies the classical assumption of multicollinearity-free data, ensuring the stability, validity, and scientific reliability of the regression coefficients.

Heteroskedasticity Test

Figure 3. Heteroskedasticity Test Results



Source: Data processed with SPSS, 2025

The regression model tested via residual scatterplot for tax avoidance shows that residuals are mostly randomly distributed around the zero line without forming any systematic pattern, indicating that the homoscedasticity assumption is met and no significant heteroskedasticity exists. Although a few outliers are present, the overall residual distribution is acceptable, confirming the model's validity. This suggests that the regression model satisfies classical linear regression assumptions and provides reliable estimates for analyzing the relationship between tax avoidance and the independent variables.

Autocorrelation Test

Autocorrelation testing is a statistical procedure used to assess whether error terms in a linear regression model are correlated across time periods (Ghozali, 2021). This test detects dependency patterns in residuals, as a well-specified regression model should exhibit no autocorrelation. The Durbin-Watson (DW) statistic is commonly used, with the following criteria:

1. Positive autocorrelation occurs if $DW < -2$.
2. Negative autocorrelation occurs if $DW > 2$.
3. No autocorrelation occurs if $-2 < DW < 2$.

Autocorrelation Test Results

Table 4. Autocorrelation Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.802 ^a	.643	.621	.03136	1.727

a. Predictors: (Constant), Financial Distress, Audit Quality, Capital Intensity, Transfer Pricing

b. Dependent Variable: Tax Avoidance
Source: Data processed with SPSS, 2025

The autocorrelation test results show a Durbin-Watson value of 1.727, which falls within the range of -2 to +2 ($-2 < 1.727 < 2$). This indicates that the regression model in this study does not exhibit autocorrelation, confirming that the model meets the assumption of being free from autocorrelation.

Multiple Linear Regression Test

According to Ghozali (2021), multiple linear regression analysis is a statistical technique used to examine the simultaneous effect of several independent variables on a dependent variable. This analysis aims to measure both the overall influence of all independent variables and the individual effect of each variable on changes in the dependent variable. The analysis is typically conducted using statistical software such as SPSS to facilitate efficient computation and hypothesis testing. The results of the multiple linear regression analysis can be seen in the table below.

Table 5. Multiple Linear Regression Analysis Results
Coefficients^a

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	.012	.008		1.429	.158
	Transfer Pricing	.003	.017	.012	.154	.878
	Capital Intensity	-.296	.029	-.800	-10.340	.000
	Audit Quality	.004	.009	.035	.458	.649
	Financial Distress	-.002	.001	-.175	-2.242	.029

Dependent Variable: Tax Avoidance

Source: Data processed with SPSS, 2025

X_1 = Transfer Pricing

X_2 = Capital Intensity

X_3 = Audit Quality

X_4 = Financial Distress

Y = Dependent Variable (Tax Avoidance)

The multiple linear regression equation, based on the analysis results in Table 8, is as follows:

$$Y = 0.012 + 0.003 X_1 - 0.296 X_2 + 0.004 X_3 - 0.002 X_4$$

Based on the results, it can be explained that:

1. Transfer Pricing (X_1) has a regression coefficient of 0.003 with a significance value of 0.878 (> 0.05), indicating no significant effect on tax avoidance. This suggests that transfer pricing practices in property and real estate companies do not directly influence the level of tax avoidance.
2. Capital Intensity (X_2) has a regression coefficient of -0.296 with a significance value of 0.000 (< 0.05), indicating a significant negative effect on tax avoidance. This implies that higher capital intensity is associated with a lower tendency for tax avoidance, meaning companies with substantial fixed asset investments tend to comply more with tax obligations.
3. Audit Quality (X_3) has a regression coefficient of 0.004 with a significance value of 0.649 (> 0.05), showing no significant effect on tax avoidance. This indicates that the presence of high-quality external auditors does not necessarily influence a company's decision to engage in tax avoidance.

4. Financial Distress (X_4) has a regression coefficient of -0.002 with a significance value of 0.029 (< 0.05), indicating a significant negative effect on tax avoidance. This means that companies experiencing higher financial distress are less likely to engage in tax avoidance, as they tend to prioritize business continuity over aggressive tax strategies.

Simultaneous Test (F-Test)

According to Ghozali (2021), the simultaneous (F) test is used to assess the overall effect of all independent variables on the dependent variable. This approach evaluates the joint influence of the independent variables and draws conclusions based on specific criteria. The analysis compares the calculated F-value with the F-table value at a significance level of $\alpha = 5\%$. The results of the simultaneous test can be seen in the table below.

Table 6. Simultaneous Test (F-Test) Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.112	4	.028	28.392	.000 ^b
	Residual	.062	63	.001		
	Total	.174	67			

a. Dependent Variable: Tax Avoidance

b. Predictors: (Constant), Financial Distress, Audit Quality, Capital Intensity, Transfer Pricing

Source: Data processed with SPSS, 2025

Based on the test results in the table above, the Fcount value is 28.392 with a significance value (Sig.) of 0.000. The Ftable value can be determined by the degrees of freedom ($df1 = k = 4$; $df2 = n - k - 1 = 68 - 4 - 1 = 63$) at a significance level of 5%, namely $Ftable = 2.52$. Because $Fcount (28.392) > Ftable (2.52)$ and the significance value ($0.000 < 0.05$), it can be concluded that H_0 is rejected and H_a is accepted. Thus, the results of the simultaneous test show that together Transfer Pricing, Capital Intensity, Audit Quality, and Financial Distress have a significant effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange for the 2021–2023 period.

Partial Test (t-Test)

According to Ghozali, (2021), the t-test is conducted by comparing the p-value (Sig.) of each independent variable with the significance level of 0.05. Based on this probability, two conditions apply:

1. If the p-value > 0.05 , the hypothesis is rejected.
2. If the p-value < 0.05 , the hypothesis is accepted.

Table 7. Hypothesis Test Results (t-Test)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.012	.008		1.429	.158
	Transfer Pricing	.003	.017	.012	.154	.878
	Capital Intensity	-.296	.029	-.800	-10.340	.000
	Audit Quality	.004	.009	.035	.458	.649
	Financial Distress	-.002	.001	-.175	-2.242	.029

Dependent Variable: Tax Avoidance

Source: Data processed with SPSS, 2025

Based on the multiple linear regression results in the Coefficients table, the t-table value is determined as $t(\alpha/2; n-k-1) = t(0.025; 63) = 2.000$. This value is used to compare with the calculated t-value to determine the acceptance or rejection of the hypotheses. The partial (t-test) results are as follows:

1. Transfer Pricing (X_1): $t_{\text{calculated}} = 0.154$, Sig. = 0.878. Since $t_{\text{calculated}} (0.154) < t_{\text{table}} (2.000)$ and Sig. > 0.05 , H_0 is accepted and H_a is rejected. This indicates that Transfer Pricing has no significant partial effect on Tax Avoidance in property and real estate companies listed on the IDX during 2021–2023.
2. Capital Intensity (X_2): $t_{\text{calculated}} = -10.340$, Sig. = 0.000. Since $t_{\text{calculated}} (10.340) > t_{\text{table}} (2.000)$ and Sig. < 0.05 , H_0 is rejected and H_a is accepted. This shows that Capital Intensity has a significant negative partial effect on Tax Avoidance; higher capital intensity reduces the tendency for tax avoidance.
3. Audit Quality (X_3): $t_{\text{calculated}} = 0.458$, Sig. = 0.649. Since $t_{\text{calculated}} (0.458) < t_{\text{table}} (2.000)$ and Sig. > 0.05 , H_0 is accepted and H_a is rejected. Therefore, Audit Quality has no significant partial effect on Tax Avoidance.
4. Financial Distress (X_4): $t_{\text{calculated}} = -2.242$, Sig. = 0.029. Since $t_{\text{calculated}} (2.242) > t_{\text{table}} (2.000)$ and Sig. < 0.05 , H_0 is rejected and H_a is accepted. This indicates that Financial Distress has a significant negative partial effect on Tax Avoidance; higher financial distress reduces the tendency for tax avoidance.

Hypothesis Testing

Determinant Coefficient Test (R^2 Test)

Regression analysis uses the coefficient of determination (R^2) to assess how well the research model explains variations in the dependent variable. Adjusted R^2 indicates the contribution of independent variables in explaining changes in the dependent variable, ranging theoretically from 0 to 1 (0–100%). Values closer to 1 suggest a strong explanatory power, while lower values indicate limited influence. The results of the R^2 test in this study are presented in the table below to illustrate the model's explanatory ability.

Table 8. Coefficient of Determination (R^2) Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.802 ^a	.643	.621	.03136	1.727

a. Predictors: (Constant), Financial Distress, Audit Quality, Capital Intensity, Transfer Pricing

b. Dependent Variable: Tax Avoidance
Source: Data processed with SPSS, 2025

The R^2 test results in Table 4.11 show an R Square value of 0.643 (64.3%), indicating that Transfer Pricing, Capital Intensity, Audit Quality, and Financial Distress jointly explain 64.3% of the variation in Tax Avoidance. The remaining 35.7% is influenced by other variables outside this study, such as leverage, profitability, firm size, and corporate governance. The Adjusted R^2 of 0.621 confirms that the model maintains a strong explanatory power after accounting for the number of independent variables and sample size ($n = 68$).

Discussion

The Effect of Transfer Pricing, Capital Intensity, Audit Quality, and Financial Distress on Tax Avoidance

The simultaneous F-test results indicate that Transfer Pricing, Capital Intensity, Audit Quality, and Financial Distress collectively have a significant influence on Tax Avoidance in Indonesian property and real estate companies, with an R^2 value of 0.643, meaning 64.3% of the variation in tax avoidance is explained by these variables while 35.7% is influenced by factors such as leverage, profitability, and firm size. Capital Intensity and Financial Distress show significant negative effects, whereas Transfer Pricing and Audit Quality are individually insignificant but still contribute to the model's overall impact. These findings demonstrate that tax avoidance is shaped by a combination of asset structure, financial conditions, and internal monitoring mechanisms, reflecting its multidimensional nature and providing important implications for regulators, auditors, and corporate management.

The Effect of Transfer Pricing on Tax Avoidance

The results of the first hypothesis test indicate that Transfer Pricing does not have a significant effect on Tax Avoidance in property and real estate companies listed on the Indonesia Stock Exchange during 2021–2023. This suggests that intercompany pricing practices are not directly used to reduce tax obligations in this sector. The lack of significance can be attributed to several factors, including the relatively simple operational structure of property firms, strict regulatory oversight by the Directorate General of Taxes requiring Transfer Pricing documentation, and heightened post-pandemic fiscal scrutiny. Additionally, many companies in this sector adopt conservative tax policies to minimize reputational and financial risk, while limited variability in Transfer Pricing practices further reduces its explanatory power. These findings align with studies by Febriani & Indrayani (2023) and Sianturi & Sanulika (2023), which emphasize that strong external monitoring and audit oversight constrain the potential misuse of Transfer Pricing as a tax avoidance tool, despite theoretical predictions based on agency theory.

The Effect of Capital Intensity on Tax Avoidance

The second hypothesis test indicates that Capital Intensity has a significant negative effect on Tax Avoidance in property and real estate companies. This suggests that firms with a higher proportion of fixed assets, such as buildings and equipment, tend to exhibit lower tax avoidance behavior. High capital intensity naturally generates substantial depreciation expenses, which legally reduce taxable income and diminish the need for additional tax avoidance strategies. Companies with significant fixed assets often prioritize long-term operational sustainability and public credibility, leading to higher compliance with tax regulations. These findings are consistent with Putri (2023) and Ardiana & Dewi (2025), who argue that investment in fixed assets inherently lowers fiscal profit and reduces incentives for aggressive tax avoidance. Overall, the results emphasize that a company's asset structure plays a crucial role in shaping tax behavior, with higher capital intensity promoting transparency and adherence to tax obligations.

The Effect of Audit Quality on Tax Avoidance

The third hypothesis test reveals that Audit Quality does not have a significant effect on Tax Avoidance in property and real estate companies. This indicates that high-quality audits alone are insufficient to curb tax avoidance, as managerial policies, internal governance, and strategic financial decisions play a more dominant role. In this sector, firms often manage revenues, depreciation, and financing structures in ways that are compliant with accounting standards but

still allow tax planning opportunities, limiting the impact of external auditors. The finding aligns with Purnomo (2025) and Permana (2025), who argue that even competent and independent auditors cannot fully control complex tax avoidance strategies. Overall, the effectiveness of Audit Quality in reducing tax avoidance is context-dependent and relies on robust internal controls, governance mechanisms, and supportive regulatory environments.

The Effect of Financial Distress on Tax Avoidance

The fourth hypothesis test shows that Financial Distress has a negative effect on Tax Avoidance. Firms experiencing financial pressure tend to reduce tax avoidance activities because they prioritize liquidity, operational stability, and compliance to avoid additional risks such as penalties, tax audits, and regulatory scrutiny. Distressed firms are also monitored more closely by auditors, creditors, and stakeholders, limiting managerial discretion for aggressive tax strategies. These results align with Putri & Wibowo (2022), Dewi & Kartika (2021), Julianty (2023), Pratiwi et al. (2020), and Ramdani (2024), who argue that financially distressed firms increase tax compliance to maintain credibility. However, the findings contradict Simanjuntak & Suranta (2024), who report a positive relationship, and Sianturi & Sanulika (2023), who find no effect. Overall, the evidence supports the view that worsening financial conditions reduce firms' incentives and capacity to engage in tax avoidance.

CONCLUSION

Based on the results of the data analysis and hypothesis testing, it can be concluded that:

1. Transfer Pricing, Capital Intensity, Audit Quality, and Financial Distress simultaneously have a significant effect on Tax Avoidance.

This means that these four variables collectively explain variations in tax avoidance behavior among property and real estate companies. The findings indicate that tax avoidance practices are not influenced by a single factor but rather by a combination of internal elements such as asset management policies, financial conditions, and the quality of audit oversight. Proper management of these aspects can reduce the risk of tax avoidance while enhancing transparency and compliance with tax regulations.

2. Transfer Pricing has no significant effect on Tax Avoidance.

This indicates that transfer pricing practices among affiliated entities do not directly influence the level of tax avoidance. It shows that property and real estate companies do not utilize transfer pricing as a primary strategy to minimize their tax burden. Thus, transfer pricing activities are more likely conducted for operational efficiency rather than for tax manipulation purposes

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