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Executive gender diversity influence , transfer pricing , and profit management for tax avoidance with profitability as a moderating variable in mining companies listed on the Indonesia stock exchange in 2018-2022

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ABSTRACT

This study aims to examine and analyze the effect of executive gender diversity, transfer pricing, and earnings management on tax avoidance with profitability as a moderating variable. The objects of this research are mining companies listed on the Indonesia Stock Exchange (IDX) in 2018-2022 . Determination of the sample using purposive sampling method which can be defined as a sampling technique based on certain criteria. The total population in this study was 47 mining companies whose shares were listed on the Indonesia Stock Exchange from 2018 to 2022. After selection was made using the purposive sampling method, a sample of 3 1 companies was obtained for 5 years so that the total observations of this study were 15 5 annual report, which then becomes 97 annual reports which are analyzed after outliers are made due to extreme data. The data collection used is secondary data and the data analysis used is with the help of the Statistical Product and Service Solution (SPSS) program Ver.2 9 . The research results show that; 1) gender executive diversity has a negative effect on tax avoidance ; 2) transfer pricing has a significant positive effect on tax avoidance ; 3) earnings management has a significant positive effect on tax avoidance ; 4) profitability is not able to moderate the influence of executive gender diversity against tax avoidance ; 5) profitability is able to moderate the effect of transfer pricing

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against tax avoidance; 6) profitability is able to moderate the effect of earnings management on tax avoidance.

Keywords: Tax Avoidance, Executive Gender Diversity, Transfer Pricing, Profitability.

INTRODUCTION

In Indonesia, efforts to optimize tax sector revenue are not without obstacles. Along with the improvement of the taxation system carried out by the government, there are differences in interests between the government and companies. Taxes in the eyes of the state are a source of revenue to finance government administration, while taxes for companies as taxpayers are a burden that will reduce net profit. Companies try to pay as little tax as possible because paying taxes means reducing the company's economic ability. It is this difference in interests that causes taxpayers to tend to reduce the amount of tax payments, both legally and illegally.

Efforts to reduce tax payments legally are called tax avoidance, while efforts to reduce tax payments illegally are called tax evasion. Tax avoidance is defined as one of the actions taken by taxpayers to legally reduce their tax burden. In the context of the Indonesian government, regulations have been made through Perdirjen No. PER-32/PJ/2011 concerning the application of the principles of fairness and customary business in transactions between taxpayers and parties who have special relationships. This regulation is the government's effort to prevent tax avoidance practices, one of these regulations is related to transfer pricing. Tax avoidance is a process by which companies seek to reduce income tax payments to tax organizations (Salehi and Shahri, 2020). On the other hand, tax avoidance has a negative impact on government performance (Hoseini et al., 2019). Tax avoidance practices occur because not all taxpayers voluntarily pay their tax obligations according to the systems and procedures set by the government. An important factor in taxpayer non-compliance with their tax obligations is that taxes can reduce company profits in quite a large proportion, so that the profits that can be distributed to shareholders and managers as the parties who manage the company will be smaller (Salwa and Herianti, 2019).

In the tax revenue of a country there are several factors in it, including whether there is still a case of a company doing tax avoidance which can affect the realization of state tax revenue,

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therefore a phenomenon in this tax avoidance as happened in PT Adaro Energy Tbk (2019) , a report issued by Global Witness states that a large mining company in Indonesia, PT Adaro Energy Tbk, is committing a tax trick , allegedly carrying out transfer pricing through its subsidiary in Singapore, Coaltrade Services International. This effort is said to have been carried out from 2009 to 2017. This company is alleged to have arranged it in such a way that they could pay taxes of US$ 125 million or the equivalent of Rp. 1.75 trillion (exchange rate of Rp. 14 thousand) lower than what should be paid in Indonesia. (www.cnbcindonesia.com).

Tax evasion by companies, usually through policies taken by company leaders as decision makers, is not accidental. The practice of tax avoidance has even taken place globally with the aim of gaining profit. From the leadership policies and these objectives, the strategy for tax avoidance which is a form of efficiency in paying taxes is carried out by the management of a company where those who are obliged to manage and utilize company resources efficiently are assisted by several tax staff (Zahirah, 2017).

Tax compliance cannot be separated from the factors that influence it. Kastlunger et al. (2010) stated that differences in attitudes between men and women are not only influenced by biological differences, but also by differences in characteristics. Women with feminine characteristics are considered more risk averse than men with masculine characteristics. Executive gender diversity or gender diversity within the executive is the equal or fair representation of people of different sexes, this refers to the level of the ratio of men and women in an organization or can be said to be the proportion of women in the executive ranks of the company. Ambarsari, et al (2018) said that gender diversity can provide benefits related to knowledge, ideas, innovation, problem solving, strategy formulation, latest knowledge and experience.

Another factor in tax avoidance is transfer pricing based on Director General of Taxes regulation Number: PER-32/PJ/2011, transfer pricing is pricing in transactions between related parties. Transfer pricing, also known as inter-company pricing, inter-company pricing, intermediate or internal pricing, is a price calculated for the purpose of administrative control over the exchange of goods and services between members. Transfer pricing can occur in companies that have high profit goals, so tax avoidance is one way. Companies that have high profits or profits tend to do tax evasion so that the taxes imposed are low. Profits or profits generated by a company are closely related to the ability of the company's profitability.

The next factor studied in this study for tax avoidance behavior is earnings management. Schipper (1989) states that earnings management is the intervention of managers in the process of preparing external financial reporting with the aim of obtaining personal benefits. Jensen and Meckling (1976) explained that agency conflicts occur because of differences in interests and the separation between owners and managers. This separation between owners and managers creates information asymmetry where managers know more about the information and prospects of the company in the future so that they take actions for their own benefit, one of which is earnings management activities.

The final factor in the company's motivation to carry out tax avoidance is profitability . Profitability is a company's ability to generate profit or profit with the level of sales, assets and capital in a certain period. Increasing profits for companies results in higher taxes to be paid, thus increasing the possibility for companies to take tax avoidance actions. Measurement of profitability is more often measured using return on assets (ROA) (Sujannah, 2022).

Agency theory in this study explains that corporate agents are required to be able to meet shareholders' expectations of company profitability. Therefore, management often manipulates financial reports and minimizes tax payable. Tax planning activities can be carried out through tax planning, namely by making explicit tax reductions. Tax planning activities are an opportunity for managers to take steps to minimize misrepresentations that can confuse investors or create uncertainty in business decision making. While the theory of feminism is the equality of degrees of women with men. One of the pioneers regarding the theory feminism namely Marx and Engels, in their Marxist feminism argues that based on gender is very important the relationship between structures in society and the division of performance roles. The presence of a female board of directors that is risk-averse, namely maintaining safe conditions and avoiding risks, thereby encouraging decision making with high compliance standards.

This research is a development of studies that have been carried out by Aurelia and Sambuaga (2022) which states that gender diversity on board has a significant positive effect on tax avoidance practices, and in this study the reasons for adding the Transfer Pricing variable are based on the research advice provided by Aurelia and Sambuaga (2022) , the addition of this variable itself is intended to see is there any gap company to escape the profit from the imposition of the tax that should be , so that if the transfer pricing practice is lower then it can support the increase in the realization of the country's own GDP, and it is assumed that it will affect the level of tax avoidance in companies . While the addition of earnings management variables is intended to see whether there are actions taken by company management to gain personal benefits by regulating or making policies related to information in published financial reports . In this research, the authors use a moderating variable, namely profitability. The high level of profitability of a company indicates that the profit earned by the company is getting bigger and affects the amount of tax that must be paid by the company, the sample used is mining companies listed on the Indonesia Stock Exchange for the 2018-2022 period.

LITERATURE REVIEW

Agency theory

Agency theory is a theory put forward by Jensen and Meckling (1976) which states that agency theory is a theory of dissimilar interests between principals and agents. Agency theory establishes a contractual relationship between the owner or owners and managers or directors. According to this theory, the relationship between the owner and the manager is difficult because of the conflict of interest. A company may have a conflict of interest (agency conflict), one of which can be caused by discrepancies in the reporting of business income and taxable income in the company's activity/performance report. Especially Managers in reporting financial reports to receive bonuses or other benefits provided in debt agreements to increase business profits. Agency theory in a tax plan can facilitate managerial rent extraction, namely the justification for the behavior of managers in manipulating profits or resources that are considered inappropriate.

Stakeholders theory

Stakeholders theory is a group or individual who can influence or be affected by the activities carried out by the company to achieve its goals (Freeman 1984). Stakeholder theory is used to analyze the groups to which the company is responsible with the aim of helping managers to understand the stakeholder environment so that it can carry out more effective management. Companies that realize the important role of stakeholders will try to maintain good relations between the two through good stakeholder management. This is due to the existence of

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stakeholders who can have an impact on management decisions related to efforts to achieve company goals.

Feminism Theory

The theory of feminism is the equality of degrees of women with men. One of the pioneers regarding the theory feminism namely Marx and Engels, in their Marxist feminism argues that based on gender is very important the relationship between structures in society and the division of performance roles. Feminism is the understanding or belief that women are part of human nature, not anything else, which demands equality with men in all aspects of life, regardless of their nature and nature. This equality is also known as gender equality. In terms of gender equality, it is hoped that the condition of men and women will be equal in obtaining their rights as social or human beings. This is expected to be able to play a role and participate in all activities such as politics, economics, social, culture, education and equality in enjoying development (Ambarsari et al., 2018).

Tax Avoidance

Tax payments legally is called tax avoidance. Tax avoidance is defined as one of the actions taken by taxpayers to legally reduce their tax burden. The definition of tax avoidance according to Pohan (2016) is an effort by taxpayers to avoid legally safe taxes. This is because it is done in a way that does not violate or conflict with tax laws, and the methods and techniques used tend to take advantage of the weaknesses inherent in tax laws.

Gender Diversity Executives

Ramadhani and Adhariani (2017) stated that Gender Diversity (Gender Diversity) in the company will provide its own advantages in the company. This relates to the benefits of broadening knowledge, seeking ideas, innovating, taking steps to solve problems, planning new organizational processes, and acquiring advanced knowledge and experience. The board is part of the corporate structure that is fully responsible for managing the company in accordance with company goals by continuously considering the interests of shareholders and all stakeholders.

Transfer Pricing

Transfer pricing is a company action in determining the price of a transaction of goods, intangible assets, services, or financial transactions between companies (Ministry of Finance, 2014). Meanwhile, in the research of Widiyantoro and Sitorus (2019) transfer pricing is also a classic report in the field of taxation where the source is uncertain, especially regarding international transactions carried out by multinational corporations. Differences in regulations and tax rates as well as fiscal policies of countries in the world that cannot be uniformed cause price differences that affect tax revenues in these countries.

Profit management

Schipper (1989) states the definition of earnings management is an intervention that has a specific purpose in the external financial reporting process, in order to gain personal benefits as disclosed. Earnings management will make profits not in accordance with existing economic realities, so that the quality of reported earnings is low. The profit presented may not reflect economic reality, but rather because of management's desire to show it in such a way that its performance can look good.

Profitability

Kasmir (2015) profitability is a company's ability to generate profits during a certain period. Profitability is the level of net profit that can be obtained by a company in carrying out its operational activities during one period. One method that can be used to calculate a company's profitability is return on assets (ROA). The function of ROA is to measure the efficient use of resources by the company itself.

RESEARCH HYPOTHESIS DEVELOPMENT

The Effect of Gender Diversity Executive on Tax Avoidance

Having a women's council is assumed to maintain a safe environment and avoid risks. Support decision making with high compliance standards. Research conducted by Hoseini and Gerayli (2018), Demos and Muid (2020), Aurelia and Sambuaga (2022), and Cendani and Sofianty (2022) state that there is a positive influence of women's councils on tax evasion, in contrast to the research conducted by Ambarsari, et al (2018), Mala and Ardiyanto (2021), Sofianty et al. (2022), and Nurlatifah (2022) which states that women's councils have no effect on tax avoidance. Based on the description above, the hypothesis is:

H 1: Gender Diversity Executives negative effect on Tax Avoidance.

Effect of Transfer Pricing t against Tax Avoidance

Transfer pricing is one of the most widely used methods by corporate taxpayers as an effort to reduce the tax burden borne by the company. The existence of differences in regulations, economic conditions of the country, as well as other juridical conditions in the country of placement of a subsidiary or a branch of a company provides a loophole for companies to escape their profits from the imposition of taxes that should be. Several studies examine the relationship between tax avoidance and transfer pricing, Panjalusman, et al (2018), Amidu et al. (2019), Alfarizi , et al (2021), and Sujannah (2022) stated that there was a positive effect on tax evasion, in contrast to research conducted by Widiyantoro and Sitorus (2019), and Athira Hutomo (2021) who stated that in their research results transfer pricing had a negative and insignificant effect on tax avoidance . Based on the description above, the hypothesis is:

H 2: Transfer Pricing has a positive effect on Tax Avoidance.

Effect of Earnings Management t against Tax Avoidance

Scott (2000), states that one of the motivations for managers to manage earnings is tax motivation. Where earnings management is defined as a means to fulfill tax obligations correctly, but the amount of tax paid can be kept to a minimum to generate profits. Research conducted by Amidu et al. (2019), Septiadi, et al (2017), Darma, et al (2018) states that earnings management has an effect on tax avoidance, in contrast to the research conducted by Alfarizi, et al (2021) and Henny (2019) which state that earnings management has no effect on tax avoidance. Based on the description above, the hypothesis is:

H 3: Profit Management has a positive effect on Tax Avoidance.

Profitability Moderates the Effect of Gender Diversity Executive on Tax Avoidance

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Profitability is the level of net profit that can be obtained by a company in carrying out its operational activities during one period. The higher the profitability indicates that the company is successful in achieving more and more profits, and vice versa. The existence of profitability is expected to moderate the effect gender diversity on tax avoidance. Based on the description above, the researcher then formulated the hypothesis as follows:

H 4: Profitability is able to moderate the effect of Gender Diversity Executive against Tax Avoidance.

Profitability Moderate Influence _ Transfer Pricing t against Tax Avoidance

Good profitability results in investors giving positive responses to company performance, that the budget invested in the company concerned will be managed properly. Companies that have a high profitability value have the opportunity to position themselves in carrying out tax planning which reduces the amount of tax liability burden so that it will affect the company's decision to carry out transfer pricing by making transactions with alliance companies that are outside national borders, so that profits are reduced and taxes are reduced. paid is also reduced (Widiyantoro and Sitorus, 2019). Based on the description above, the researcher then formulated the hypothesis as follows:

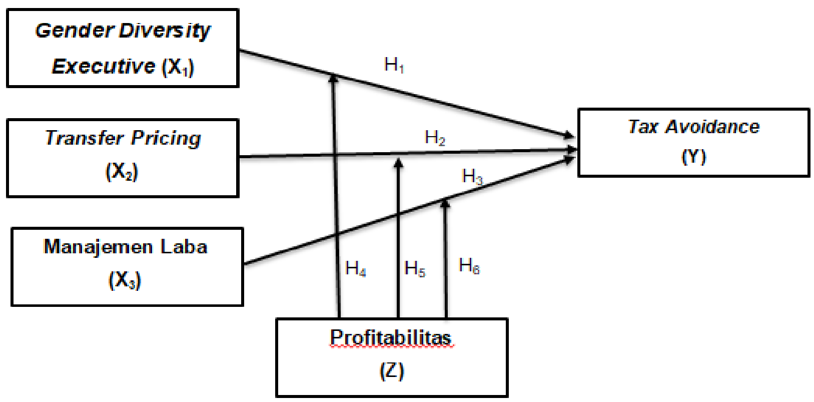
H 5: Profitability is able to moderate the effect of Transfer Pricing on Tax Avoidance.

Profitability Moderate Influence Profit management t against Tax Avoidance

Profitability is a company's ability to earn profits (Wulandari, 2017). Profits are obtained by the company from sales and investments made by the company, profitability can also describe management's performance in managing the company. Olivia and Dwimulyani (2019) state that the level of company profitability shows the company's ability to earn profits. The higher the profit earned by the company, the income tax payable also increases, so that If a company wants to carry out tax avoidance, one of the causes that determines the occurrence of tax avoidance is profitability. Based on the description above, the researcher then formulated the hypothesis as follows:

H 5 : Profitability is able to moderate the influence of Profit Management on Tax Avoidance.

Figure Research Model



RESEARCH METHODOLOGY

This type of research is testing hypotheses (hypotheses testing). This research hypothesis was developed based on theories related to the research topic based on appropriate analytical techniques. Sekaran and Bougie (2016) explain that hypothesis testing is a study that is expressed in the form of a statement and explains the relationship that can be predicted logically between two or more variables so that solutions can be found to overcome the problems encountered. The type of data used in this research is secondary data. The data is obtained from relevant mining company annual report data from 2018-2022 on the Indonesia Stock Exchange. The data is in the form of a complete annual report. The type of data used is quantitative, namely by reading, collecting and recording data, as well as the information required in the annual report obtained.

Dependent Variable

Tax avoidance is a method used by companies to avoid taxes imposed by the State without violating applicable laws. In this study, the measurement is proxied by the Cash Effective Tax Rate, namely by comparing the tax burden with profit before tax (Dyreng, 2010). The formula is as follows:

$$CTR = \frac{\text{Tax expense}}{\text{Profit before tax}}$$

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Independent Variable

Gender Diversity Executive

Executive gender diversity , the comparison of the proportion of women and men in the composition of the company's board influences the decisions taken because in essence women and men have different characteristics which are innate and inherent in these individuals. In this study the measurements are as follows: (Lucckerath Rovers, 2010)

$$\text{Gender Diversity Executive} = \frac{\text{Number of Women on Board Executive}}{\text{Total Board of Directors + Commissioners}}$$

Transfer Pricing

Based on the Regulation of the Director General of Taxes Number: PER-32/PJ/2011, transfer pricing is the determination of prices in transactions between related parties. In this study the measurements are as follows: (Panjalusman, 2019)

$$\text{Transfer pricing} = \frac{\text{Accounts Receivable to Related Parties Special}}{\text{Total Receivables}} \text{ X } 100\ \%$$

Profit management

Earnings management is an action taken by company management to gain personal benefits by regulating or making policies related to information contained in financial reports. In this study the measurements are as follows: (Jones, 1991)

1. Calculating total assets with the formula:
   $TAC = (NI – CFO\ it)$
2. Do a search for the regression coefficient using the formula:
   $TAC/ At – 1 = β1(1/ At – 1) + β2(DREVit/ At – 1) + β3(PPEit/ At – 1) + ε$
3. Perform non-discretionary accrual calculations with the formula:
   $NDA = ß1\ (1/ At\text{-}1) + ß2\ (ΔREVit – ΔRECit/ At\text{-}1) + ß3\ (PPEit/ At\text{-}1)$
4. Perform discretionary accrual calculations using the formula:
   $DA = (TAC/ At\text{-}1) - NDA$

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Moderation Variable

Profitability is the ratio used to measure a company's ability to generate profits or profit. In this study, measurements were proxied by calculating ROA (Sartono 2015). The formula is as follows:

$$Return\ on\ a\ \text{assets} = \frac{\text{Profit After Tax}}{\text{Total Assets}}$$

RESULTS AND DISCUSSION

Data Description

Sample Selection Summary

SAMPLE SELECTION PROCESS	AMOUNT
Mining companies listed on the IDX for the 2017-2022 period	47
Does not have complete data to analyze	(16)
Company totals	**3 1**
Total annual report analysis units (3 1 x 5)	**155**
Outliers	(58)
Total units to be analyzed after outliers	**97**

Source: Processed Data (2022).

The number of companies sampled for 5 years is 3 1 companies which means there are 155 annual reports to be analyzed. There were some outlier (extreme) data released in this study, the outlier data were obtained from the SPSS testing during this study. Thus, the number of units of analysis after outliers is 97 samples of annual report data analyzed, after 58 outlier data are removed.

In the classic assumption test in this study using 4 tests, namely, normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The data studied in this study were normally distributed, there were no symptoms of heteroscedasticity, multicollinearity, or autocorrelation, so it was feasible to do hypothesis testing and Moderated Regression Analysis (MRA) tests.

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Multiple Linear Regression Analysis

Statistical Test Table t

Variable dependent	Variable Independent	Unstandardize dB	standardized Betas	t	Sig.
Tax Avoidance	(Constant)	14,064		5610	<0.001
	Gender Diversity Executives	-0.867	-0.633	-9,201	<0.001
	Transfer Pricing	0.217	0.281	4,057	<0.001
	Profit management	0.186	0.270	3,897	<0.001

Source: SPSS data processing results version 2 9 (2023)

Based on the table above, it can be seen that the gender diversity executive variable has a t-count value of -9,201 which is smaller than the t-table of 1.98609 with a significance level of 0.001 < 0.05, so it can be concluded that gender diversity executive has a negative effect on tax avoidance , this means that hypothesis 1 is accepted. This explains that gender diversity executive disclosure has a negative effect on tax avoidance which means that the presence of women on the board can reduce the level of tax avoidance in companies, because women have a higher level of tax compliance than men . The results of this study are in line with the results of research conducted by Ambarsari, et al (2018) which states that gender executive diversity has a negative effect on tax avoidance.

The transfer pricing variable has a t-count value of 4,057 greater than the t-table of 1.98609 with a significance level of 0.001 <0.05, so it can be concluded that transfer pricing has a significant effect on tax avoidance, this means that hypothesis 2 is accepted. In conclusion, the value of receivables from related parties has an influence on the tax avoidance policy undertaken by the company. This is because multinational mining companies in Indonesia take advantage of loopholes in existing tax regulations by transferring their corporate income or assets to subsidiaries in countries where tax rates are lower than tax rates in Indonesia. The results of this study are in line with the results of research conducted by Panjalusman, et al (2018) which states that transfer pricing has a significant positive effect on tax avoidance. This is also supported by other researchers such as Amidu et al. (2019), Alfarizi, et al (2021), and Sujannah (2022) which states that transfer pricing has a positive effect on tax avoidance.

The earnings management variable has a t-count value of 3,897 greater than the t-table of 1.98609 with a significance level of 0.0 01 <0.05, so it can be concluded that earnings management has a significant effect on tax avoidance, this means that hypothesis 3 is accepted. This is in accordance with the statement put forward by Scott (2015) which states that the motivation for tax savings is the most real motivation for earnings management. Various accounting methods are used with the aim of saving income tax, as well as Scott's (1997) other opinion, one of the factors What drives managers to manage earnings is taxation motivation, where taxation is one of the motivations why companies reduce reported profits. The goal is to be able to minimize the amount of tax to be paid. The results of this study are in line with the results of a study conducted by Amidu et al. (2019), which states that earnings management has a significant positive effect on tax avoidance.

Moderated Regression Analysis

Table of MRA T Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	79,296	47,275		1677	0.097
	GDE	3,810	2,433	0.119	1,566	0.121
	TP	-0.165	1075	-0.009	-0.154	0.878
	ML	-0.746	0.952	-0.046	-0.783	0.436
	M_X1	-0.710	0.095	-0.621	-7,500	<0.001
	M_X2	0.221	0.067	0.196	3,290	0.001
	M_X3	0.121	0.036	0.227	3,387	0.001

Source: SPSS data processing results version 2 9 (2023)

Based on the table above, it can be seen that MXI has a t-count value of -7,500 which is smaller than the t-table of 1.9 8609 with a significance level of 0.001 < 0.05, so it can be concluded that profitability is not able to moderate the influence of executive gender diversity to tax avoidance , the hypothesis is rejected. This shows that the level of profitability does not strengthen the influence of executive gender diversity against tax avoidance.

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Based on the table above it can be seen that MX2 has a t-count value of 3,290 which is greater than the t-table of 1.9 8609 with a significance level of 0.001 <0.05, so it can be concluded that profitability is able to moderate the effect of transfer pricing to tax avoidance , the hypothesis is accepted. This shows that the level of profitability strengthens the effect of transfer pricing on tax avoidance.

Based on the table above, it can be seen that MX3 has a t-count value of 3,387 which is greater than the t-table of 1.9 8609 with a significance level of 0.001 <0.05, so it can be concluded that profitability is able to moderate the effect of earnings management on tax avoidance , hypothesis accepted. This shows that the level of profitability strengthens the influence of earnings management on tax avoidance.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of data analysis and discussion that has been carried out, the following conclusions can be drawn: 1) gender executive diversity has a negative effect on tax avoidance ; 2) transfer pricing has a significant positive effect on tax avoidance ; 3) earnings management has a significant positive effect on tax avoidance ; 4) profitability is not able to moderate the influence of executive gender diversity against tax avoidance ; 5) profitability is able to moderate the effect of transfer pricing against tax avoidance ; 6) profitability is able to moderate the effect of earnings management on tax avoidance.

Suggestions for future researchers are suggested to add or replace independent variables that can affect tax avoidance variables such as political connections, sales growth, and leverage and so on. Future researchers are advised to expand the research population, such as real estate, manufacturing companies, or expand the research population outside Indonesia, so that it can be compared with the results of studies using the company population in Indonesia. Future researchers are advised to add a research period so that research results can be more accurate and consistent.

RESEARCH LIMITATIONS

1. research period was only 5 years, namely 2018 -2022 .
2. There are several companies that do not have complete data in this study, so they cannot examine all mining companies listed on the Indonesian Stock Exchange.

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