Special Relationship Transactions Against Tax Aggressiveness in Property Companies with Institutional Ownership as a Moderating Variable

Moh. Afani[1], Bunga Filsa Atika[2], Rama Putra Adi Cahya[3], Nina Dwi Setyaningsih[4], Isnan Murdiansyah[5]

[1,2,3,4,5] State Islamic University of Maulana Malik Ibrahim Malang, Indonesia

ABSTRACT

This study examines the effect of special relationship sales transactions and special relationship lending on tax aggressiveness with institutional ownership as a moderating variable. The data used in this study is secondary data taken from the annual financial statements of several property and real estate companies listed on the Indonesia Stock Exchange for 2020, 2021 and 2022. The sample in this study obtained 54 data from 18 selected companies using a purposive sampling technique. This study uses quantitative analysis methods, and the data analysis techniques used in this study are multiple regression equations and Moderated Regression Analysis (MRA). The results of this study indicate that Special Relationship Sales Transactions do not affect Tax Aggressiveness, while Special Relationship Lending Transactions have a positive effect on Tax Aggressiveness. Then Institutional Ownership cannot moderate the effect of special relationship sales transactions and special relationship lending transactions on tax aggressiveness.

Keywords: *Tax Aggressiveness, Institutional Ownership, Special Relationship Transactions.*

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh transaksi penjualan hubungan istimewa dan peminjaman hubungan istimewa terhadap agresivitas pajak dengan kepemilikan institusi sebagai variabel moderasi. Data yang digunakan dalam penelitian ini data sekunder diambil dari laporan keuangan tahunan beberapa perusahaan properti dan real estate terdaftar di Bursa Efek Indonesia periode 2020, 2021, dan 2022. Sampel pada penelitian ini diperoleh sebanyak 54 data dari 18 perusahaan terpilih dengan menggunakan teknik purposive sampling. Penelitian ini menggukan metode analisis kuantitatif dan teknik analisis data yang digunakan dalam penelitian ini adalah persamaan regresi berganda dan Moderated Regression Analysis (MRA). Hasil penelitian ini menunjukkan Transaksi Penjualan Hubungan Istimewa tidak berpengaruh terhadap Agresivitas Pajak, Sedangkan Transaksi Peminjaman Hubungan Istimewa berpengaruh positif terhadap Agresivitas pajak. Kemudian Kepemilikan Institusi tidak dapat memoderasi pengaruh transaksi penjualan hubungan istimewa dan transaksi peminjaman hubungan istimewa terhadap agresivitas pajak.

Kata Kunci: Agresivitas Pajak, Kepemilikan Institusi, Transaksi Hubungan Istimewa

INTRODUCTION

The tax has an important role that makes it the main source of income in various countries, including Indonesia. Tax revenue supports development and state expenditure activities, regulated in the State Expenditure and Expenditure Budget (APBN). In Indonesia, tax regulations are regulated by Law Number 7 of 2021 concerning the Harmonization of Tax Regulations. According to the law, taxes are mandatory contributions that must be given by every citizen and have a coercive nature. As one of the largest sources of state revenue, state budget data for 2022 shows that state revenues from taxes reach IDR 1,716.8 trillion, or around 65.37% of total state revenue (Ministry of Finance, 2023).

According to Santoso, et al. (2021), the average tax people have deposited is not infrequently misused or used for personal gain. This can result in people losing confidence in the government and feeling pressured to pay taxes, so it is not uncommon for many people not to report their income. People feel that taxes are a burden that can interfere with their financial security because they pay taxes. Therefore, many people manipulate their finances or avoid taxes legally according to tax regulations. This term in taxation is known as tax avoidance or tax avoidance

According to (Sujannah, 2021), tax avoidance is an action done intentionally to minimise taxable income. Usually, tax evasion is also known as tax aggressiveness, which the government allows under certain conditions. Tax aggressiveness is a common tactic that involves legally profiting from loopholes in taxation rules. Not only that, tax avoidance also involves debt manipulation or interest charges that can be reduced (deductible expense). According to (Hasibuan & Aceh, 2022), debt is not company ownership, but the cost of debt is a business cost that can affect taxes. The purpose of the company to do tax avoidance is to maximise profits by reducing the cost of taxes that must be paid.

Transactions between related parties or related Party Disclosure in PSAK No. 7 (Revised 2015) involve transfers of assets or liabilities between those with a special relationship. There are several transactions with parties related to bringing profit to an entity because the entity can set prices to generate profits for the company. The implementation of tax avoidance does not only occur in companies in Indonesia. Several countries in other parts of the world also often transfer profits through implementing transfer pricing in other countries, including Indonesia.

Transactions involving related parties can occur in various forms. Three categories of transactions involving related parties, according to Habib, et al. (2021), are debt, costs and income. In general, related parties prefer to provide capital rather than loans. This is because the tax regulations permit the deduction of interest costs from taxable profits, which

results in liabilities and income being regulated by the agreement of related parties to reduce the amount of taxable profits. Meanwhile, in loan transactions, it is possible to determine whether the loan interest rate is fair or not (Zubaidah & Satyawan, 2018). Losses for related parties may arise from transactions between them, especially the government. The government does not prohibit transactions involving related parties. However, a special relationship for related parties makes it possible to manipulate the transaction price beyond fairness due to the existence of a special relationship between the companies involved in the transaction to reduce the tax burden and attract the attention of the government, especially the Directorate General of Taxes, because it was used to avoid taxes (Ikraam & Ariyanto, 2020).

Institutional ownership can also impact the use of tax avoidance strategies. One effective method for implementing corporate management is institutional ownership. Refers to a situation where an entity owns shares in a company that can strengthen management's oversight of performance to run optimally in the interests of the shareholders. In addition, it is hoped that institutional ownership can monitor, supervise and take disciplinary action against companies to prevent detrimental behaviour, especially in tax evasion (Sadeva, Suharno, & Sunarti, 2020). Meanwhile, research by Widiyantoro and Sitorus (2019) shows that institutional ownership positively affects tax evasion.

Much previous research related to tax evasion has been carried out, so these results can serve as a reference for analyzing the impact of special relationship transactions between entities on tax-aggressive behaviour, including research by Sungwon Park (2018), which states that various corporate groups use related party transactions to avoid paying taxes. The maximum entity of the tax avoidance strategy by using party transactions. Meanwhile, Suntari & Mulyani's research (2020) also shows that entities maximize tax avoidance strategies by conducting related party transactions. However, Darma's research, (2019) conclusions differ from the two previous studies. According to him, transactions between related parties do not affect the effective tax rate.

According to research by Zubaidah & Satyawan (2018), sales transactions involving relationships between related parties do not affect tax evasion. This is due to regulations from the authorities that provide commitments to companies that carry out transactions with related parties to avoid taxes. Related party loan transactions significantly affect tax avoidance as well. The company's related party loan agreements are designed to maximize interest expense to reduce taxable profit. Loan transactions did not significantly influence the tax avoidance strategy in this study because most of the sample companies did not frequently engage in related party loan transactions. However, Abdani's research, (2020) suggests that related party relationships significantly influence tax evasion.

The difference between this study and previous studies is that this study intends to combine various subjects regarding tax avoidance techniques which are influenced by two variables, namely related sales transactions and related loan transactions. In addition, this study also includes institutional ownership moderating variables. With different results from previous research, this motivated the writer to conduct another study which aims to determine the effect of related party transactions on tax avoidance behaviour with the title "Private Relations Transactions Against Tax Aggressiveness in Property Companies with Institutional Ownership as a Moderating Variable" with a sample of Property and Real Estate companies listed on the Indonesia Stock Exchange (IDX) during the 2020, 2021 and 2022 periods.

METHOD

This study aimed to determine the relationship between the independent variables, namely special sales transactions, special purchase transactions, and special loan transactions, on the dependent variable, namely tax aggressiveness. In addition, this study also added a moderating variable, namely institutional ownership, which aims to evaluate whether institutional ownership will strengthen or weaken the influence of the independent variables on the dependent variable. This research was conducted at property companies listed on the Indonesia Stock Exchange for 2020, 2021 and 2022. The data was taken from the annual financial reports of several companies that have been selected based on predetermined criteria. The data type used is quantitative data; the data source comes from secondary data. The financial statements analyzed in this study are audited and published financial reports. This annual financial report is obtained from the property company's official website, which is published on the website www.idx.co.id. The population in this study was taken from the property and real estate companies listed on the Indonesia Stock Exchange in 2020, 2021 and 2022. However, not all industries were taken as samples because sampling was based on predetermined criteria. This study uses a sampling method called purposive sampling, which specifically selects samples based on certain criteria relevant to the research objectives.

This study's population consists of property sector companies listed on the Indonesia Stock Exchange in 2020-2022, with 85 companies. This study uses a sampling technique, usually called a purposive sampling technique. Sampling is based on predetermined criteria with a sample of property companies listed on the IDX for 2020-2022. The sampling criteria are as follows:

1. The company is in a profit/earning profit during the 2020-2022 period
2. The company is listed on the Indonesia Stock Exchange for 2020-2022.

3. The company has related transactions.

4. The company has complete financial reports

Based on the criteria above, 18 property companies met the criteria and obtained 54 sample data.

Tabel 1. Tabel Sampel

Sample selection result	Amaount
Registered real estate company indonesiastock exchange (idx) 2023	85
Criteria	
Property companies that are not listed on idx 2020-2022	-10
The company does not have complete financial statements	-10
The company is not in a condition of makin a profit	-40
The compani does not have relate transaction	-7
Number of companies that meet the criteria	18

Source: Processed data, 2023

After elaborating on the previous background, the following are the conceptual framework and hypotheses used to describe the research variables:

Figure 1 Conceptual Framework
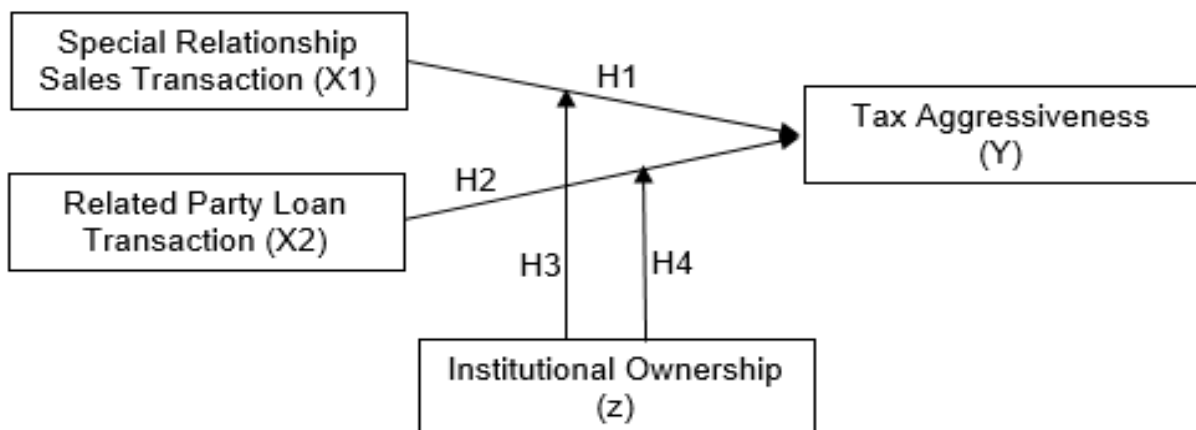
Source: Processed data, 2023

H1: Sales transactions with related parties affect tax aggressiveness

H2: Special relationship loan transactions affect tax aggressiveness

H3: Institutional ownership can moderate the relationship between preferential sales transactions and tax aggressiveness

H4: Institutional ownership can moderate the relationship between preferential purchase transactions and tax aggressiveness.

Results and Discussion

This study uses a data normality test to determine whether residual values are normally distributed. In this study, a data normality test is used. The normality test aims to ascertain

how the research variable data is distributed (Lutfiana, 2021). The following are the results of the Kolmogorov-Smirnov test using SPSS version 26:

Tabel 2. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		33
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.01533622
Most Extreme Differences	Absolute	.133
	Positive	.133
	Negative	-.107
Test Statistic		.133
Asymp. Sig. (2-tailed)		.146[c]
a. Test distribution is Normal.		

Source: Secondary data processed, 2023

A significant value of 0.146 > 0.05 was obtained using the Kolmogorov-Smirnov test results in Table 2. In line with the assumptions needed to apply the regression model, this indicates that the data is normally distributed. In addition, the pattern of the graph dots shows a distribution that closely resembles a diagonal line and corresponds to the line pattern, indicating that the data is normally distributed.

After that, the next test is multicollinearity. According to Gozali (2011), the multicollinearity test determines whether the independent variables in a regression model are correlated or have a relationship. The regression model is considered successful if there are no signs of multicollinearity. If the Variance Inflation Factor (VIF) value is less than 10 and the tolerance value is greater than 0.10, then the regression model is considered free from multicollinearity symptoms.

Table 3. Test Multicollinearity

Model		Collinearity Statistics		Keterangan
		Tolerane	VIF	
1	(Constan)			
	Sales of Related Parties	.935	1.069	Free from Multicollinearity
	Related Party Lending	.969	1.036	Free from Multicollinearity
	Institutional Ownership	.969	1.036	Free from Multicollinearity

Source: Secondary data processed, 2023

Table 3 above shows no symptoms of multicollinearity according to the results of the multicollinearity test processed using SPSS version 26. This is because in the coefficient table in the collinearity statistics, the tolerance value is greater than 0.10, and the VIF value for all variables is less than 10. In addition, the Durbin-Watson test (D-W test) can be used to identify the presence or absence of autocorrelation symptoms as follows:

Tabel 4. Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.471[a]	.222	.142	.016110	2.208

It is known that the Durbin-Watson value (dw) is 2.208 based on the "Model Summary" output table shown above, which is higher than the DU value of 1.6511. If the value of du<DW<4-du = 1.6511<2.208<2.3489, then the regression model is either free or there is no autocorrelation test. Therefore, the residual data is free of autocorrelation.

Table 5. T test results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.021	.004		5.695	.000
	Sales of Related Parties	-.090	.075	-.199	-1.195	.241
	Related Party Lending	-.071	.033	-.359	-2.153	.040
a. Dependent Variable: Tax Aggressiveness						

Source: Secondary data processed, 2023

Test Moderated Regression Analysis (MRA) was used in this study to test the null hypothesis with a moderating variable, and the following results were obtained:

Tabel 6. MRA test results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.006	.017		.366	.717
X1Z	.050	.494	.094	.101	.920
X2Z	-.106	.213	-.389	-.497	.623
a. Dependent Variable: Agresivitas Pajak					

Source: Secondary data processed, 2023

The Influence of Related Sales Transactions on Tax Aggressiveness

Table 5 shows the significance value of 0.241 for the related sales transaction variable, indicating that the value is more than 0.05. In other words, the volume of related sales transactions has no impact on the level of tax evasion. In other words, the company's tax avoidance method is not affected by the volume of sales transactions made through a special relationship. Can be concluded from the t value of -1.195 and the B value of -0.090. Thus, it can be concluded that there is no significant relationship between the frequency of sales transactions in related parties and tax evasion.

The existence of the Director General of Taxes Regulation Number 32 of 2011, which mandates business actors (taxpayers) to use fair prices in transactions between related parties, is one of the factors that influence the results of this study. In order to ensure the

fair market value of related parties, the tax authorities also have the right to evaluate the transaction's fairness using comparative data from internal and external sources. The practice of tax avoidance (tax aggressiveness) through sales transactions in related parties has been successfully minimized by this limitation and the tax authority's easy access to comparative data.

The results of this study are in line with previous research conducted by (Lubis, Ummayro, & Sipahutar, 2022) and Zubaidah & Satyawan (2018), which showed that there was no effect between special sales transactions on tax evasion (tax aggressiveness). However, these results differ from the findings of other studies, namely (Surjana, 2020) and Istiqomah & Trisnaningsih (2022), which state that sales transactions with special relationships significantly affect tax evasion.

Effect of Special Relationship Loan Transactions on Tax Aggressiveness

Table 5 shows that the significance value is 0.040 for the related lending transaction variable, indicating that the value is less than 0.05. While the t value is -2.153 and the B value is -0.071. In other words, the volume of related lending transactions affects the level of tax evasion. In other words, the tax avoidance method used by a company is influenced by the volume of borrowing transactions it does through special relationships.

These results indicate that when there is an increase in special lending transactions, the value of the Effective Tax Rate (ETR) will also increase. Conversely, if there is a decrease in lending transactions, the Effective Tax Rate (ETR) will tend to decrease. This phenomenon occurs because borrowing transactions carried out by companies with related parties aim to maximize the interest expense earned by the company so that profits subject to tax can be reduced to a lower level. Thus, using external funding sources such as company loans has the potential to cause interest costs which can reduce taxable profits (Zhang, et al., 2020)

The results of this study support previous research by Syahputra & Abdani (2023),), which showed that tax aggressiveness is affected by related party loan transactions. However, it differs from the research conducted by Zubaidah & Satyawan (2018), and Nurariza (2019), which states that related lending transactions do not significantly affect tax aggressiveness.

Institutional Ownership as a Moderating Variable

The Moderation Regression study (MRA) test in Table 6 shows that the X1Z variable has a significant result of 0.920, which is substantially higher than the specified level of significance (0.920 > 0.05). In addition, the t-value for this variable is 0.101. Thus, institutional ownership cannot moderate the effect of related sales transactions on tax aggressiveness.

This is because when institutional ownership increases, more optimal supervision will be created, and there will be pressure on management to implement tax rate efficiency policies to achieve maximum profit. Therefore, along with the increasing influence of institutional owners in controlling the company, the possibility of financial fraud behaviour, including tax evasion by internal management, will tend to decrease (Sanchez & Mulyani, 2020).

The company's tax will increase along with the proportion of institutional ownership. This phenomenon occurs because the possibility of companies practising tax avoidance will decrease. Institutional owners, in this case, having a majority of voting rights, can influence company management to concentrate more on the company's success and ignore opportunities that may benefit themselves, such as tax aggressiveness (Sarpingah & Purba, 2019). Therefore, in this study, the effect of related sales transactions on tax aggressiveness cannot be significantly moderated by institutional ownership variables. These results suggest that other factors may be more influential in explaining tax avoidance practices in the context of institutional ownership and special sale transaction relationships.

Furthermore, the results of the Moderation Regression Analysis (MRA) test for the moderating variable X2Z showed a significant result of 0.623, which was substantially higher than the established level of significance (0.623 > 0.05). With these results, the Institutional Ownership variable cannot moderate the effect of lending transactions in special relationships on tax aggressiveness.

Institutional ownership often involves strict external monitoring of corporate actions. This strict supervision encourages companies to comply with applicable tax rules and regulations. However, on the other hand, high levels of debt ownership are considered unfavourable for companies by investors. Thus, in this study, the effect of related lending transactions on tax aggressiveness cannot be significantly moderated by institutional ownership variables.

CONCLUSION

Then, in this study, the effect of related sales and special purchase transactions on tax aggressiveness could not be significantly moderated by institutional ownership variables. The company's tax will increase along with the proportion of institutional ownership. This phenomenon occurs because the possibility of tax avoidance practices carried out by companies will decrease. After all, when institutional ownership increases, more optimal supervision will be created, and there will be pressure on management to implement tax rate efficiency policies to achieve maximum profit.

Suggestions for future research so they can examine different objects, for example, in the manufacturing, banking, mining and infrastructure sectors. In addition, subsequent

researchers can replace or add independent variables such as audit committees, company size, and independent commissioners and replace moderating variables such as managerial ownership, audit quality and political connection.

REFERENCE

Abdani, F. (2020). Political connection and tax avoidance on sharia stocks; good for business? *Al-Amwal: Jurnal Ekonomi Dan Perbankan Syari'ah*, *12*(2), 157. https://doi.org/10.24235/amwal.v12i2.7182

Darma, S. S. (2019). PENGARUH RELATED PARTY TRANSACTION DAN THIN CAPITALIZATION TERHADAP STRATEGI PENGHINDARAN PAJAK. *Jurnal Ilmiah Akuntansi Universitas Pamulang*, *7*(1), 58–75. https://doi.org/10.32493/jiaup.v7i1.2204

Habib, A., Jiang, H., & Zhou, D. (2021). Related-Party Transactions and Stock Price Crash Risk: Evidence from China. *The International Journal of Accounting*, *56*(04), 2150020. https://doi.org/10.1142/S1094406021500207

Hasibuan, R., & Aceh, I. P. (2022). PENGARUH PENGHINDARAN PAJAK DAN KEPEMILIKAN INSTITUSIONAL TERHADAP BIAYA UTANG PADA PERUSAHAAN MANUFAKTUR YANG TERDAFTAR DI BURSA EFEK INDONESIA TAHUN 2016-2020. *METHOSIKA: Jurnal Akuntansi dan Keuangan Methodist*, *6*(1), 74–87. https://doi.org/10.46880/jsika.Vol6No1.pp74-87

Ikraam, I., & Ariyanto, A. (2020). Pengaruh Struktur Kepemilikan Asing Dan Intensitas ModalPerusahaan Terhadap Praktik Penghindaran Pajak. *FORBISWIRA FORUM BISNIS DAN KEWIRAUSAHAAN - SINTA 4*, *10*(1), 27–37. https://doi.org/10.35957/forbiswira.v10i1.883

Istiqomah, A., & Trisnaningsih, S. (2022). PENGARUH THIN CAPITALIZATION, INTENSITAS PERSEDIAAN, DAN LIKUIDITAS TERHADAP AGRESIVITAS PAJAK. *Jurnal Proaksi*, *9*(2), 160–172. https://doi.org/10.32534/jpk.v9i2.2194

Lubis, Y. C., Ummayro, N., & Sipahutar, T. T. U. (2022). Audit Committee, Company Size, Leverage and Accounting Conservatism on Tax Avoidance. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*, *5*(1), 2295–2304. https://doi.org/10.33258/birci.v5i1.3828

Lutfiana, D. E. S. (2021). *PENGARUH PROFITABILITAS, LEVERAGE DAN UKURAN PERUSAHAAN TERHADAP KINERJA KEUANGAN*. *10*.

Nurariza, C. (2019). Pengaruh Related Party Transaction, Multinationaly,Thin Capitalization terhadap Agresivitas Pajak pada Perusahaan Manufaktur. *Journal of Business and Economics (JBE) UPI YPTK*, *4*, 58–64. https://doi.org/10.35134/jbeupiyptk.v4i2.92

Park, S. (2018). Related Party Transactions and Tax Avoidance of Business Groups. *Sustainability*, *10*(10), 3571. https://doi.org/10.3390/su10103571

Sadeva, B. S., Suharno, S., & Sunarti, S. (2020). PENGARUH KEPEMILIKAN INSTITUSIONAL, UKURAN PERUSAHAAN, LEVERAGE DAN TRANSFER PRICING TERHADAP TAX AVOIDANCE (Studi pada Perusahaan Pertambangan yang Terdaftar Dalam Bursa Efek Indonesia Tahun 2014-2018). *Jurnal Akuntansi dan Sistem Teknologi Informasi*, *16*(1), 89–100. https://doi.org/10.33061/jasti.v16i1.4418

Sanchez, G. R., & Mulyani, S. D. (2020). PENGARUH LEVERAGE DAN KEPEMILIKAN INSITUSIONAL TERHADAP TAX AVOIDANCE DENGAN PROFITABILITAS SEBAGAI VARIABEL MODERASI. *KOCENIN SERIAL KONFERENSI (E) ISSN: 2746-7112*, (1), 5.10.1-5.10.8.

Santoso, J. B., Sadeli, D., & Surtikanti, S. (2021). PENGARUH PENGECILAN MODAL, TRANSAKSI HUBUNGAN ISTIMEWA, DAN PROFITABILITAS TERHADAP TAX AVOIDANCE. *Jurnal Pajak Dan Keuangan Negara (PKN)*, *3*(1), 152–164. https://doi.org/10.31092/jpkn.v3i1.1240

Sarpingah, S., & Purba, H. (2019). The Effect of Good Corporate Governance and Profit Management on Tax Aggressive (Empirical Study on Manufacturing Companies Listed on the IDX Periode 2014-2017). https://doi.org/10.22158/IJAFS.V2N2P95

Sujannah, E. (2021). Leverage, Kepemilikan Institusional, Dan Transfer Pricing, Penghindaran Pajak: Profitabilitas Sebagai Variabel Moderasi. *Jurnal Literasi Akuntansi*, *1*(1), 66–74. https://doi.org/10.55587/jla.v1i1.3

Suntari, M., & Mulyani, S. D. (2020). PENGARUH TRANSFER PRICING DAN THIN CAPITALIZATION TERHADAP TAX AGGRESSIVENESS DIMODERASI OLEH UKURAN PERUSAHAAN. *Prosiding Seminar Nasional Pakar*, 2.7.1-2.7.1. https://doi.org/10.25105/pakar.v0i0.6829

Surjana, M. T. (2020). Pengaruh Pajak, Kepemilikan Asing Dan Mekanisme Bonus Terhadap Penerapan Transfer Pricing. *AKUNTOTEKNOLOGI*, *12*(1), 107–116. https://doi.org/10.31253/aktek.v12i1.376

Syahputra, A. rizky D., & Abdani, F. (2023). The Effect of Related Party Transaction on Tax Aggressiveness. *Jurnal Proaksi*, *10*(1), 14–29. https://doi.org/10.32534/jpk.v10i1.3767

Zhang, Y., Uchida, K., & Dong, L. (2020). External financing and earnings management: Evidence from international data. *Research in International Business and Finance*, *54*, 101275. https://doi.org/10.1016/j.ribaf.2020.101275

Zubaidah, L., & Satyawan, M. D. (2018). *PENGARUH TRANSAKSI HUBUNGAN ISTIMEWA TERHADAP TAX AVOIDANCE PADA PERUSAHAAN SEKTOR NON KEUANGAN YANG TERDAFTAR DI BEI TAHUN 2012-2015.*