

ABSTRACT

This study aims to examine the effect of earnings management and transfer pricing on tax avoidance, moderated by institutional ownership. The research uses secondary data as the data source. The population of this study consists of manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2020. The sample used in this study includes 97 samples selected using purposive sampling. The data obtained was processed using moderating regression analysis with an absolute difference approach, utilizing the Statistical Product and Service Solutions (SPSS) 25 application.

The results of this study show that earnings management has a significant positive effect on tax avoidance. Managers use earnings management to intervene in profits to minimize tax payments. Additionally, transfer pricing has a significant positive effect on tax avoidance. Managers exploit special relationships between group members through transfer pricing practices to reduce the company's tax burden. Furthermore, institutional ownership cannot moderate the relationship between earnings management and tax avoidance, possibly due to information asymmetry where management has more information about the company's internal conditions compared to institutional investors. Likewise, institutional ownership cannot moderate the relationship between transfer pricing and tax avoidance, possibly due to the low percentage of institutional ownership in the company, resulting in weak control by institutional shareholders in determining transfer pricing levels.

Keywords: earnings management, transfer pricing, institutional ownership, tax avoidance