

# Multinationality, Transfer Pricing, and Tax Avoidance in Consumer Staples Sector

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**Article History**

**Received :**

2026-02-03

2026-02-23

**Revised :**

2026-02-17

**Accepted :**

2026-02-23

**Abstract:**

**Research aims:** This study aims to examine the effect of multinationality, transfer pricing, and foreign ownership on tax avoidance in consumer non-cyclicals companies listed on the Indonesia Stock Exchange.

**Design/Methodology/Approach:** This study employs a quantitative approach using panel data from 20 consumer non-cyclicals companies during 2020–2024 (100 firm-year observations). Tax avoidance is measured using Cash Effective Tax Rate (CETR). Multinationality is measured using a dummy variable, transfer pricing by the ratio of related-party receivables to total receivables, and foreign ownership by the percentage of foreign shareholding. Data are analyzed using multiple linear regression.

**Research findings:** The results show that multinationality, transfer pricing, and foreign ownership significantly affect tax avoidance. Firms with multinational operations, higher related-party transactions, and greater foreign ownership tend to exhibit lower CETR, indicating higher tax avoidance.

**Theoretical contribution/ Originality:** The study reinforces and expands the agency theory in the context of Indonesian taxation, particularly by showing that multinationality, transfer pricing, and foreign ownership are key mechanisms that amplify agency conflicts related to tax policies in Consumer Non-Cyclicals companies.

**Practitioner/Policy implication:** The findings provide insights for tax authorities in strengthening transfer pricing supervision and monitoring multinational firms, particularly under the Global Minimum Tax regime.

**Research limitation/Implication:** This study is limited to one industrial sector and uses CETR as a cash-based proxy of tax avoidance.

**Keywords:** Tax avoidance; Multinationality; Transfer pricing; Foreign ownership; Cash effective tax rate.

## Introduction

Globalization has intensified cross-border economic integration and heightened tax competition among jurisdictions. Multinational corporations (MNCs) operate across countries with differing tax rates, enforcement mechanisms, and regulatory frameworks, enabling them to design tax strategies that legally minimize global tax liabilities. Prior research documents that multinational firms tend to report lower effective tax rates compared to domestic firms, largely due to income shifting and transfer pricing arrangements (Dyrenge et al., 2017). Although these practices may comply with existing legal frameworks, they raise concerns regarding tax base erosion, particularly in emerging economies where corporate tax revenue remains a critical source of public financing.

Indonesia provides a relevant institutional context for examining these dynamics. The country applies a self-assessment tax system in which firms are responsible for calculating and

reporting their own tax obligations. While this system enhances administrative efficiency, it also increases managerial discretion in tax reporting decisions. Within such a framework, organizational characteristics such as multinationality, related-party transactions, and foreign ownership may play a decisive role in shaping corporate tax behavior. In this context, multinationality, transfer pricing intensity, and foreign ownership may function not merely as organizational attributes but as structural drivers that systematically influence corporate tax avoidance decisions in emerging market environments.

This issue is particularly pronounced in consumer staples companies listed on the Indonesia Stock Exchange (IDX). Firms in this sector operate in markets characterized by relatively stable demand and consistent profitability, even during economic downturns. At the same time, the sector exhibits substantial multinational involvement, with foreign ownership averaging approximately 40 percent, and contributes an estimated IDR 150 trillion in tax revenue (Otoritas Jasa Keuangan, 2025). The combination of stable earnings and strong multinational integration creates both the capacity and opportunity for structured tax planning. Several high-profile cases illustrate the urgency of this issue. PT Japfa Comfeed Indonesia Tbk was alleged in 2020 to have engaged in treaty shopping through an affiliated entity in the Netherlands, while PT Indofood Sukses Makmur Tbk was involved in a tax dispute related to corporate restructuring and asset transfers. Such cases underscore the practical challenges faced by tax authorities in supervising multinational corporate structures and related-party transactions. Given its persistent profitability, high exposure to multinational operations, and substantial contribution to national tax revenue, the consumer staples sector provides a structurally appropriate setting to examine whether multinationality, transfer pricing, and foreign ownership operate as systematic drivers of tax avoidance

Agency theory offers a useful framework for interpreting these developments. Managers, acting as agents of shareholders, are incentivized to enhance firm value, frequently measured through after-tax profitability (Jensen & Meckling, 1976). Within multinational firms, managerial discretion expands as cross-border operations provide access to income allocation strategies across jurisdictions with varying tax burdens (Beuselinck et al., 2015). Transfer pricing further facilitates intra-group profit reallocation through related-party transactions (Jacob, 1995). From this perspective, tax avoidance can be viewed as a rational managerial response to shareholder pressure to maximize returns

Nevertheless, the role of foreign ownership complicates this explanation. While foreign shareholders may encourage tax efficiency to enhance profitability, governance literature suggests that foreign institutional investors often possess stronger monitoring capacity and may discourage excessively aggressive tax strategies that expose firms to reputational or regulatory risks (Suranta et al., 2020). Empirical evidence reflects this ambiguity. Some studies report that foreign ownership increases tax avoidance (Sofian & Djohar, 2022), whereas others find that foreign investors mitigate managerial opportunism, including aggressive tax behavior (Akbar et al., 2021). These mixed findings indicate that the relationship between foreign ownership and tax avoidance remains theoretically and empirically unresolved, particularly in emerging markets.

In addition, prior Indonesian studies generally rely on multi-sector samples and tend to examine multinationality, transfer pricing, and ownership structure separately. Such approaches may

obscure sector-specific incentives for tax planning. Industry characteristics—including stability of earnings, supply chain integration, and degree of multinational involvement—may shape the magnitude and direction of tax avoidance behavior. Despite the fiscal significance and structural features of the consumer staples sector, empirical evidence focusing specifically on this industry remains limited

The relevance of this inquiry is further strengthened by global regulatory developments. Indonesia has adopted the Global Minimum Tax (Global Anti-Base Erosion or GloBE) framework, introducing a minimum effective tax rate of 15 percent effective January 1, 2025. This reform aims to reduce aggressive profit shifting and strengthen international tax coordination. Investigating corporate tax behavior during the 2020–2024 period—immediately preceding the implementation of the GloBE regime—provides insight into how firms structure tax strategies under conditions of regulatory anticipation. The transitional regulatory context has not been sufficiently incorporated into prior empirical analyses.

Taken together, several research gaps emerge. First, the theoretical role of foreign ownership in influencing tax avoidance remains ambiguous. Second, limited research integrates multinationality, transfer pricing intensity, and foreign ownership within a unified agency-theoretic framework. Third, sector-specific evidence from Indonesia’s consumer staples industry remains scarce, despite its economic importance and structural characteristics. Fourth, empirical research has not explicitly incorporated the regulatory transition toward the Global Minimum Tax regime.

Accordingly, this study examines the effect of multinationality, transfer pricing, and foreign ownership on tax avoidance in consumer non-cyclicals companies listed on the Indonesia Stock Exchange during 2020–2024. By integrating multinational operational characteristics and ownership structure within an agency-theoretic perspective and focusing on a strategically significant sector during a period of regulatory transformation, this research seeks to contribute to a deeper understanding of corporate tax behavior in an emerging market facing increasing global tax governance pressures.

## **Literature Review and Hypotheses Development**

### ***Agency Theory***

Agency theory posits that conflicts arise between principals (governments seeking revenue) and agents (managers maximizing shareholder value) due to information asymmetry, incentivizing tax minimization as a wealth transfer (Jensen & Meckling, 1976). In Indonesia’s self-assessment system, this manifests in managers exploiting ambiguities for legal tax avoidance, measured via cash effective tax rate (CETR), without direct oversight. For consumer non-cyclicals firms characterized by stable cash flows and MNC dominance this framework explains how multinationality, transfer pricing, and foreign ownership amplify avoidance opportunities, shifting profits amid GloBE pressures (2025 onward).

### ***The Effect of Multinationality on Tax Avoidance***

Multinationality provides companies with structural opportunities to engage in more complex tax planning. With operations in various countries with different tax rates, the management of multinational companies has access to various tax avoidance instruments that are not available to domestic companies, including profit shifting, the use of tax treaties, and the arrangement of inter-country financing structures.

Agency theory explains that in multinational companies, management as agents have much more complete information about international tax planning opportunities than shareholders. This information asymmetry allows management to make aggressive tax decisions to increase their after-tax profits and bonuses, while shareholders may not fully understand the risks involved.

Research by Widodo et al. (2020) and Pramesti & Laili (2024) found empirical evidence that multinational companies have significantly higher levels of tax avoidance. These results are supported by Shaffira & Humairoh (2022), who found a positive effect of multinationality on tax avoidance in Indonesia's manufacturing sector.

Multinational companies have access to more tax avoidance instruments and mechanisms than domestic companies. Cross-border organizational structures allow management to allocate tax burdens to jurisdictions with lower rates. Within the framework of agency theory, multinationality reinforces agency conflicts because multinational management faces pressure from global investors to maximize after-tax cash flow. Therefore:

**H<sub>1</sub>: Multinationality has an effect on tax avoidance**

### ***The Effect of Transfer Pricing on Tax Avoidance***

Transfer pricing measured by related-party transaction intensity allows agents to manipulate intra-group prices, shifting profits to low-tax entities and eroding Indonesian revenue (Azhar & Setiawan, 2021). Empirical synthesis shows multinationals reduce CETR by 5-8% via over-invoicing imports/under-invoicing exports (Jacob, 1996; (Kalra et al., n.d.)). In non-cyclicals, where supply chains span Asia, IDX firms with >20% related sales exhibit aggressive pricing, amplified by self-assessment leniency (Marchini et al., 2018). Divergences arise in audited samples, but agency conflicts dominate unchecked.

(Putri & Mulyani, 2020) found a significant positive effect of transfer pricing (measured by related party receivables) on tax avoidance. Similarly, Adiguna & Ritonga (2024) found similar results in industrial sector companies.

Multinational corporations frequently use transfer pricing practices to alter transaction prices to shift their profits from high-tax jurisdictions to low-tax jurisdictions, thereby reducing their tax burden. The primary objective of companies is to maximize accounting profits. A study by Jacob, 1995) showed that related-party transactions within corporate groups can evade taxes. From an agency theory perspective, related-party transactions provide an opportunity for

management to fix transaction prices for personal gain. Audit reports are limited to the names and amounts of transactions without specific details about specific circumstances (Marchini et al., 2018; Kalra & Afzal, 2023). Therefore, hypothesis H2 is formulated:

**H<sub>2</sub>: *Transfer pricing has an effect on tax avoidance***

### **The Effect of Foreign Ownership on Tax Avoidance**

Foreign ownership proxied by foreign share percentage intensifies agency pressures for avoidance, as global investors demand CETR minimization to boost returns (Mardianti & Ardini, 2020). Unlike domestic owners, foreigners leverage expertise for sophisticated planning, correlating with 2-4% CETR drops in emerging markets (Akbar et al., 2022; (Sofian & Djohar, 2022)). Indonesian non-cyclicals evidence aligns: >40% foreign stakes link to higher avoidance via offshore routing, contradicting revenue-boosting claims amid weak coordination (Suranta et al., 2020; Marlinda et al., 2020). Agency theory rationalizes this as aligned shareholder goals overriding national duties.

Foreign investment, whether in the form of shares or the establishment of a foreign company for a company in Indonesia, is known as foreign ownership. The more shares a foreign investor owns, the more voting rights they have to contribute to company policy. Domestic companies are purchased by foreign investors in the hope of achieving substantial profits (Mardianti & Ardini, 2020). Foreign share ownership, i.e., shares in a company owned by individuals or organizations abroad, is a form of tax avoidance related to the financial condition of the business. The results of this study align with research conducted by Akbar et al. (2022), Sofian and Djohar (2022), Suranta et al. (2020), and Marlinda et al. (2020), which show that foreign ownership has an impact.

**H<sub>3</sub>: Foreign ownership has an effect on tax avoidance**

## **Research Method**

### ***Population and sample research***

The population of this study consists of all consumer non-cyclicals companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. This sector includes firms engaged in the production and distribution of essential goods, such as food and beverages, household products, and personal care items. Based on official IDX records, a total of 86 companies were classified under the consumer non-cyclicals sector during the observation period. The sample was selected using purposive sampling to ensure data relevance and completeness. Companies listed under the development, acceleration, and special monitoring boards were excluded (53 firms), as were firms reporting losses during the 2020–2024 period (3 firms) and companies with incomplete data required for the measurement of research variables (10 firms). After applying these criteria, the final sample comprised 20 companies observed over five years, resulting in 100 firm-year observations used in the empirical analysis.

### ***Type and Source of Data***

This study uses the observation period of 2020-2024 for companies listed on the IDX according to the sample criteria set by the researcher. The researcher chose the observation period starting from 2020 because this period was a period in which the global economy faced tremendous challenges from the COVID-19 pandemic, which certainly had a major impact on company performance and finances.

This study uses secondary data obtained from:

- Indonesia Stock Exchange (IDX): Financial reports and annual reports of sample companies
- Official company websites: Additional information regarding ownership structures and multinational activities

### ***Operational variables***

#### **Tax Avoidance**

Tax avoidance is one of the efforts made by taxpayers to avoid taxes, namely by using legal methods to minimize the amount of income tax owed by individuals or businesses (Ardini et al., 2019). The indicator of tax avoidance used in this study is the Cash Effective Tax Rate (CETR) calculated based on tax payments divided by profit before tax. If the CETR increases then the company is said to be low for tax avoidance and vice versa. Rahmawati (2019) stated that CETR measurements are formulated as follows:

$$\text{Cash Effective Tax Rate} = \frac{\text{Tax Payment}}{\text{Profit Before Tax}}$$

#### **Multinationality**

Multinationality refers to the characteristics of companies that operate in more than one country (Babcock, 2021). In this study, the measurement of multinationality was carried out by evaluating the existence of parent companies and subsidiaries in one or more countries, using dummy variables. A value of 1 is given to companies that operate internationally, namely having parent companies or subsidiaries in more than one country, while a value of 0 is given to companies that do not operate internationally (Anggraini et al., 2020; Oktaviani et al., 2023; Pamungkas & Nurcahyo, 2018). Multinationality measurements are formulated as follows:

MULTI = 1 is given to companies that operate internationally, 0 if not

#### **Transfer Pricing**

Transfer pricing is a concept in multinationality that involves the determination of transfer prices between subsidiaries operating in different countries (Hines Jr. et al., 2021). In this study, transfer pricing measurement is carried out by comparing the total receivables of related parties to the total receivables as a whole (Murdiawati & Pranetha Prananjaya, 2021; Nurdiansyah & Masripah, 2023). Although transfer pricing covers various types of internal transactions, receivables are considered an adequate indicator to represent transfer pricing practices, because they reflect sales transactions of goods or services between related entities that involve transfer pricing.  $\text{Transfer Pricing} = \text{Receivables of related parties} / \text{Total receivables}$ .

$$\text{Transfer Pricing} = \frac{\text{Receivables of related parties}}{\text{Total receivables}}$$

**Foreign Ownership**

Foreign ownership is the proportion of company shares owned by foreign investors. This variable is measured as the percentage of shares owned by foreign investors relative to total outstanding shares.

$$\text{Foreign Ownership} = \frac{\text{Foreign Owned Share}}{\text{Total Share}}$$

**Result and Discussion**

*Descriptive Statistic Analysis*

The descriptive statistics of the variables used in this study are presented in Table 2. The summary provides an overview of the distribution, central tendency, and dispersion of multinationality, foreign ownership, transfer pricing intensity, and tax avoidance within the sample. These statistics offer a preliminary understanding of the data characteristics prior to conducting the regression analysis.

**Table 2. Descriptive Statistic**

	N	Minimum	Maximum	Mean	Std. Deviation
Multinationality	98	.00	1.00	.7041	.45880
Foreign Ownership	98	.00	94.61	43.2829	33.05482
Transfer Pricing	98	.03	98.29	26.0035	30.65227
Tax Avoidance	98	1.63	41.35	22.7470	6.39445
Valid N (listwise)	98				

Source : Output SPSS 25 (2026)

Based on Table 1, the multinationality variable has a mean value of 0.70 with a standard deviation of 0.46, indicating that there is significant variation in the study sample between multinational companies (value = 1) and domestic companies (value = 0). A minimum value of 0.000 indicates that a company has no multinational operations, while a maximum value of 1.000 indicates that a company has multinational status. These results reflect the significant involvement of the non-cyclical consumer sector in international operations.

The foreign ownership variable has a mean of 43.28% with a standard deviation of 33.05%, indicating that the average company in the sample has foreign ownership of approximately 44% of total shares. Some companies have no foreign ownership at all, while some companies have very dominant foreign ownership of up to 94.61%. These results reflect the character of the non-cyclical consumer sector as an attractive sector for global investors.

The transfer pricing variable is measured by the ratio of related party receivables to total receivables. The mean was 26% with a standard deviation of 30.65%. This high standard deviation reflects significant variation in the intensity of related party transactions among sample companies, with some companies having low related party transactions (minimum = 0.03%) and others having very intensive related party transactions, reaching up to 98.29%. These results indicate that some companies have substantial related party transaction intensity. The dependent variable, CETR (Cash Effective Tax Rate), as a proxy for tax avoidance, had a mean of 22.75% with a standard deviation of 6.39%. This mean indicates that, on average, non-cyclical consumer companies in the sample paid cash taxes of 22.75% of their pre-tax profit. The lowest CETR value of 1.63% indicates high tax avoidance, and the highest, 41.35%, indicates moderate tax avoidance.

**Regression Results**

The results of the multiple regression analysis are presented in Table 3. The model estimates the effect of multinationality, foreign ownership, and transfer pricing intensity on tax avoidance, as proxied by the cash effective tax rate (CETR). The regression coefficients, standard errors, t-statistics, and significance levels provide empirical evidence for testing the proposed hypotheses

**Table 3. Multiple Linear Regression Analysis Result**

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	14.687	1.311		11.205	.000
	Multinationality	3.947	1.403	.283	2.814	.006
	Foreign Ownership	.081	.019	.418	4.200	.000
	Tax Avoidance	.068	.019	.328	3.675	.000

a. Dependent Variable: Tax Avoidance (CETR\_%)

Source : Output SPSS 25 (2026)

The multiple regression analysis yields the following estimated equation:

$$CETR = 14.687 + 3.947 \text{ Multinationality} + 0.068 \text{ Transfer Pricing} + 0.081 \text{ Foreign Ownership} + \epsilon \dots\dots\dots 1$$

The constant term of 14.687 represents the expected cash effective tax rate (CETR) when all explanatory variables are held at zero. The coefficient on multinationality (3.947) indicates that multinational firms exhibit, on average, a CETR that is 3.947 percentage points higher than domestic firms, ceteris paribus. Given that CETR is inversely related to tax avoidance, this finding suggests that multinational firms in the sample engage in lower levels of tax avoidance relative to non-multinational firms. The transfer pricing coefficient (0.068) implies that a one-percentage-point increase in related-party transaction intensity is associated with a 0.068 percentage point increase in CETR, holding other variables constant. Similarly, the coefficient

on foreign ownership (0.081) indicates that a one-percentage-point increase in foreign shareholding corresponds to a 0.081 percentage point increase in CETR, suggesting a reduction in tax avoidance as foreign ownership rises.

The partial significance tests confirm that all independent variables exert statistically significant effects on CETR. Multinationality is significant at the 5 percent level ( $t = 2.814$ ;  $p = 0.006$ ), transfer pricing demonstrates strong statistical significance ( $t = 4.200$ ;  $p < 0.001$ ), and foreign ownership is likewise significant ( $t = 3.675$ ;  $p < 0.001$ ). Accordingly, Hypotheses 1, 2, and 3 are empirically supported. These findings indicate that multinational status, the intensity of related-party transactions, and ownership structure each play a meaningful role in shaping corporate tax behavior within the sampled firms.

### ***Model Fit and Explanatory Power***

The coefficient of determination ( $R^2$ ) reflects the proportion of variation in the dependent variable that can be explained by the independent variables included in the regression model (Gujarati & Porter, 2009; Wooldridge, 2016). The estimated model yields an adjusted  $R^2$  of 0.285, indicating that multinationality, transfer pricing, and foreign ownership jointly account for approximately 28.5 percent of the variation in tax avoidance, as proxied by the cash effective tax rate (CETR). This level of explanatory power suggests that the model captures a meaningful, although not exhaustive, portion of corporate tax behavior. The remaining variation may be attributed to other firm-specific or governance-related factors not incorporated into the analysis, such as firm size, profitability, leverage, liquidity, or capital structure. Furthermore, the Durbin–Watson statistic of 2.152 indicates no substantial autocorrelation in the residuals, supporting the robustness of the regression estimates (Gujarati & Porter, 2009).

## **Discussion**

### ***The Effect of Multinationality on Tax Avoidance***

The empirical results indicate that multinationality has a statistically significant effect on tax avoidance. The positive coefficient on multinationality suggests that firms operating across multiple jurisdictions exhibit a higher cash effective tax rate (CETR), implying a lower level of tax avoidance relative to purely domestic firms. This finding indicates that multinational status is systematically associated with differences in corporate tax behavior. While multinational firms possess structural opportunities to engage in profit shifting through cross-border operations, the results suggest that the expanded visibility and regulatory scrutiny faced by multinational corporations may constrain excessively aggressive tax strategies in the Indonesian context.

From the perspective of agency theory, multinationality may both expand managerial discretion and increase external monitoring. On one hand, multinational structures provide access to sophisticated tax planning instruments, including transfer pricing arrangements, treaty utilization, internal debt shifting, and the allocation of intangible assets across

jurisdictions. The complexity of multinational operations can also generate information asymmetry between management and external stakeholders, potentially creating room for opportunistic tax decisions. On the other hand, multinational firms are typically subject to greater oversight from global investors, international auditors, and cross-border regulatory authorities. Such scrutiny may reduce the likelihood of extreme tax avoidance due to reputational and compliance risks.

These findings are consistent with prior evidence in the Indonesian setting reported by Widodo et al. (2020) and Pramesti and Laili (2024), who document a significant association between multinationality and corporate tax behavior. More broadly, the results align with international literature suggesting that multinational firms exhibit distinct tax strategies compared to domestic firms, although the direction and magnitude of the effect may depend on institutional and regulatory conditions (Dyrenge et al., 2017). Overall, the findings suggest that multinationality functions as a structural determinant of tax outcomes, but its impact reflects a balance between expanded tax planning opportunities and increased regulatory exposure.

### ***The Effect of Transfer Pricing on Tax Avoidance***

The results of the second hypothesis test (H2) indicate that transfer pricing has a significant effect on tax avoidance. This result indicates that every 1% increase in the transfer pricing level will increase tax avoidance by 0.068 percentage points.

**Economic Interpretation:** Higher transaction intensity among related parties provides more opportunities for transfer pricing manipulation for tax avoidance purposes. Transfer prices that do not follow the arm's length principle can shift profits to entities with lower tax rates or increase the cost burden on domestic entities. This mechanism is particularly relevant in the non-cyclical consumer sector due to integrated supply chains and high inter-company transaction intensity.

This finding aligns with research by Traisma & Fuadah (2025), Alexander (2024), and Muhajirin et al. (2021), which found that transfer pricing has a positive and significant effect on tax avoidance. These research findings provide empirical evidence that transfer pricing is an important instrument used by multinational companies in the non-cyclical consumer sector to reduce their tax burden.

These findings support the agency theory perspective that transfer pricing is a manifestation of a conflict of interest between management seeking to maximize aftertax returns and the government seeking to maximize tax revenue. Information asymmetry regarding pricing methodology and the arm's length principle provides room for management to exploit this loophole.

### ***The Effect of Foreign Ownership on Tax Avoidance***

The results indicate that foreign ownership has a significant effect on tax avoidance, thus confirming hypothesis (H3), but in the opposite direction to the expectations of some previous researchers. This means that every 1% increase in foreign ownership will reduce tax avoidance (CETR) by 0.081 percentage points.

These findings indicate that foreign investors (especially institutional investors) conduct stricter monitoring of corporate tax decisions, thus encouraging companies to adopt more conservative and legal tax strategies. This finding supports the monitoring hypothesis, which posits that sophisticated foreign investors bring strict corporate governance standards and exert monitoring pressure on management. Large global foreign investors (including private equity funds, sovereign wealth funds, and international institutional investors) have exposure to various international tax regulations and understand the reputational risks associated with aggressive tax avoidance. They tend to encourage management to adopt sustainable and compliant tax strategies.

Overall, the research results support agency theory in the context of multinational corporations' tax decision-making. Multinationality and transfer pricing are two key mechanisms that amplify tax-related agency conflicts by increasing management's opportunities and incentives to engage in tax avoidance. Foreign ownership is an important factor in corporate monitoring and governance. The research model, which explains 21.5% of the variation in tax avoidance, suggests that other factors such as corporate governance, firm size, profitability, and dividend policy also play a significant role in determining the level of tax avoidance. These findings open up opportunities for further research integrating additional factors to deepen understanding of the determinants of tax avoidance.

## **Conclusion**

This study investigates the influence of multinationality, transfer pricing, and foreign ownership on tax avoidance in consumer non-cyclicals companies listed on the Indonesia Stock Exchange during the 2020–2024 period. The findings indicate that multinationality and transfer pricing are positively associated with tax avoidance, suggesting that firms with cross-border operations and intensive related-party transactions possess greater structural capacity to reduce their effective tax burden. These results are consistent with agency theory, which explains that managerial incentives to maximize after-tax profitability are amplified in multinational settings where income can be allocated across jurisdictions with different tax regimes. In contrast, foreign ownership is found to have a significant effect consistent with the monitoring hypothesis, indicating that foreign investors may constrain excessively aggressive tax behavior rather than encourage it. This evidence helps clarify the ongoing debate regarding the dual role of foreign ownership in emerging markets.

Several limitations should be acknowledged. First, the study focuses exclusively on consumer non-cyclicals firms listed on the IDX, which may limit the generalizability of the results to other sectors or non-listed firms. Second, the observation period includes the COVID-19 pandemic and the subsequent recovery phase, conditions that may have influenced corporate financial performance and tax behavior. Third, multinationality is measured using a binary indicator that captures the presence of foreign operations but does not reflect the depth or geographic dispersion of international activities. Similarly, transfer pricing is proxied by the ratio of related-party receivables to total receivables, which reflects transaction intensity rather than pricing aggressiveness. Furthermore, the model explains 28.5 percent of the variation in

tax avoidance, indicating that additional determinants such as firm size, profitability, leverage, liquidity, and governance quality may also influence corporate tax decisions.

The study offers several implications. From a theoretical perspective, the findings reinforce the relevance of agency theory in explaining tax behavior within multinational corporate structures, while highlighting the governance role of foreign ownership in moderating aggressive tax practices. From a practical standpoint, firms in the consumer non-cyclicals sector should adopt tax risk management strategies that balance tax efficiency with regulatory compliance, particularly in the management of transfer pricing practices. For investors, especially foreign institutional shareholders, the results underscore the importance of active monitoring to ensure sustainable tax strategies. For regulators, the evidence suggests that multinational structures and related-party transactions remain critical areas of oversight, particularly in light of Indonesia's implementation of the Global Minimum Tax (GloBE) framework. Future research may extend this analysis by employing alternative measures of multinational exposure and transfer pricing aggressiveness, incorporating additional control variables, examining other sectors, and testing the robustness of findings using alternative proxies for tax avoidance.

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