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Transfer Pricing and Accounting Conservatism on Tax Avoidance: The Moderating Role of Sales Growth

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ABSTRACT

This study aims to evaluate and interpret the role of sales growth as a moderating variable and examine how transfer pricing and accounting conservatism influence tax avoidance. A quantitative approach was employed, utilizing secondary data sourced from the annual financial statements of Consumer Non-Cyclical sector companies listed on the Indonesia Stock Exchange (IDX) for the years 2019 to 2023. The research sample included 16 companies, resulting in 80 total observations, which were selected based on purposive sampling criteria. The data were analysed using Panel Data Regression and Moderated Regression Analysis (MRA), conducted through EViews 9 and Microsoft Excel. The results of this study indicate that transfer pricing does not have a partial effect on tax avoidance, whereas accounting conservatism does have an effect on tax avoidance. In addition, sales growth is not able to moderate the relationship between transfer pricing and tax avoidance, but it can moderate the relationship between accounting conservatism and tax avoidance.

Keywords: *Accounting Conservatism, Sales Growth, Tax Avoidance, Transfer Pricing,*

ABSTRAK

Tujuan penelitian ini dilakukan untuk mengevaluasi dan memahami peran pertumbuhan penjualan (*sales growth*) sebagai variabel moderasi serta mengkaji pengaruh *transfer pricing* dan konservatisme akuntansi terhadap penghindaran pajak. Pendekatan yang dipakai adalah kuantitatif dengan data sekunder yang didapatkan dari laporan keuangan tahunan perusahaan sektor Consumer Non-Cyclical yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2019-2023. Sampel yang digunakan pada penelitian ini terdiri dari 16 perusahaan dengan total 80 observasi, yang dipilih berdasarkan kriteria *purposive sampling*. Analisis data yang dilakukan dengan metode Regresi Data Panel dan Analisis Regresi Moderasi (MRA) yang menggunakan *EViews 9* dan *Microsoft Excel*. Hasil penelitian ini menghasilkan *transfer pricing* secara parsial tidak berpengaruh, sedangkan

konservatisme akuntansi berpengaruh terhadap *tax avoidance*. Selain itu, *sales growth* tidak mampu memoderasi adanya hubungan antara *transfer pricing* dan *tax avoidance*, namun dapat memoderasi adanya hubungan antara konservatisme akuntansi dan *tax avoidance*.

Kata Kunci: Harga Transfer, Konservatisme Akuntansi, Penghindaran Pajak, Pertumbuhan Penjualan

1. INTRODUCTION

Indonesia has a large area and abundant natural and human resources, making it a great potential in state tax revenue. Taxes are the main source of government funding, used to finance development and public services. Taxes are collected from individuals and entities, including companies that are obliged to pay taxes according to their net profit, the greater the tax paid, the greater their contribution to state revenue.

However, in practice, there are still many people and companies that do not pay attention to their obligations in paying taxes. One of the plans chosen by the company in an effort to reduce its tax burden is through the practice of *tax avoidance*, which is a legal way by reducing the amount of tax owed without violating tax regulations. This issue is increasingly complex, especially among multinational corporations that take advantage of global structures and countries with low tax rates to minimize their tax liabilities. (Heidy & Ngadiman, 2021).

The phenomenon of tax evasion that occurred in 2020, then the phenomenon related to tax evasion then occurred in the Indofood Group involving the ICBP company and its parent company INDF. The financial statements for the first quarter of 2020 showed a positive performance, marked by a net profit of IDR 1.4 trillion distributed to entity owners, which increased by 4% from the 1st quarter of 2019 which amounted to IDR 1.35 trillion (Suciati & Sastri, 2024).

Although net profit increased in the financial statements of the first quarter of 2020, the shares owned by ICBP and its parent INDF, actually decreased. From IDX data in May 2020, INDF's share price fell 6.67% to Rp. 5,600 per share, while ICBP fell 6.98% to Rp. 8,325 per share. Where this decline is allegedly triggered by concerns from investors about alleged *transfer pricing* practices and the high cost of *INDF's acquisition of Pinehill Corpora Limited* shares (Suciati & Sastri, 2024).

Based on the phenomenon that occurs, the practice of *tax avoidance* is a complex and unique problem, because it creates a gap between expectations and reality. On the one hand, *tax avoidance* is legal so many companies take advantage of it without breaking the law. However, on the other hand, this practice actually reduces state revenue, so it is not expected by the government.

One of the factors for *tax avoidance* is carrying out *transfer pricing practices*. Multinational companies take advantage of differences in tax rates between countries by regulating the selling price between entities in the group to reduce the tax burden. (Sarri et al., 2023). In the context of taxation, companies

that use *transfer pricing* to evade taxes can cause the government to lose revenue it should receive from taxes, and this is considered a criminal offense under Indonesian law. It is known that companies may be subject to criminal charges if they do this. (Herman et al., 2023)

Another factor is accounting conservatism, which is a principle that delays the recognition of profits until they are realized and immediately recognizes potential losses. The legal application of this principle can reduce profits, thereby reducing the tax burden payable. When managers apply conservatism in financial statements, reported profits tend to be lower, which has an impact on reduced tax liability (Swandewi et al., 2020). The principle of accounting conservatism, which is considered to be able to produce a lower amount of corporate income tax compared to the actual amount (Muhsin, 2019).

As a development and update of previous research, this study adds a *variable of Sales Growth* moderation that has not been widely discussed by previous researchers. These variable measures sales performance, where an increase in sales will usually be followed by an increase in tax burden that makes the company drive tax management (Dzulisa, 2021). As sales increase, sales growth also increases, which can lead to more profits for the company. If the sales growth rate is positive, it means that the company is selling more than before. The number of sales affects how much profit is generated, which means taxes will also increase, and this can affect how a company seeks to avoid paying taxes. (Purwanti et al., 2017).

Several previous studies have found out and shown the results of the research and obtained different results. As in a study conducted by Wulandari, et al., (2023) found that *Transfer Pricing* has a significant effect on *Tax Avoidance*. In addition, research conducted by Madjid et al., (2023) found that *Transfer Pricing* does not have a significant effect on *Tax Avoidance*.

This study also builds on previous research conducted by Ariyani et al., (2023) found that Accounting Conservatism has a significant positive effect on *Tax Avoidance*. In addition, research conducted by Swandewi et al., (2020) found that Accounting Conservatism has a significant negative effect on *Tax Avoidance*. And in research conducted by Ningsih, et al, (2020) found that Accounting Conservatism has no effect on *Tax Avoidance*.

This research was carried out because there were various results that were not in line with previous research that affected *tax avoidance*. And this study was conducted to determine the role of *sales growth* in moderating the relationship between *transfer pricing* and *tax avoidance* and the relationship of accounting conservatism to *tax avoidance*.

The contribution to this study is an update of the previous findings, by adding a moderate variable of *Sales Growth* that has not been widely discussed by other researchers. To find out how *Sales Growth* is able to moderate the influence of *Transfer Pricing* practices and Accounting Conservatism on *Tax Avoidance*.

2. LITERATURE REVIEW

Agency Theory

According to the theory of agency, the owner of capital (principal) and manager (agent) both act rationally with different interests. This difference in interests can cause the agent not to always carry out actions in accordance with the principal's objectives. (Jensen et al, 1976). The basis for the use of theoretical agencies in this study is to describe the conflict of interest between owners and management which also has implications for the government. Management often uses *tax avoidance* to increase profits, but owners usually don't fully support it because of the risks involved. (Madjid et al., 2023).

Signal Theory

In 1973, Spence said that signal theory is an important signal that the owner of information gives to the receiver (*user*). For companies, this signal is usually conveyed through financial statements that describe the results of management performance and the company's condition (Ratnasari, 2017). The relationship between signal theory and *transfer pricing* lies in the efforts of multinational companies to move revenues to countries with lower taxes to maximize profits, which then becomes a positive signal to investors that the company has strong financial performance and good long-term prospects.

Signal theory is related to accounting conservatism because the application of conservative principles in financial statements signals that the profits presented are of higher quality and are not exaggerated, thereby increasing the confidence of financial statement users. In signal theory, *sales growth* is used by companies to convey positive signals about future performance and prospects. The high sales growth reflects the strength of the market and an effective strategy, thereby increasing investor confidence. Conversely, a decline in sales growth can be a negative signal regarding the company's condition.

The Influence of Transfer Pricing and Accounting Conservatism on Tax Avoidance

Management uses *transfer pricing* as a strategy to reduce tax burdens, such as affiliate transactions, profit shifting, or transactions with companies in *tax haven countries*. This method is widely used as a form of *tax avoidance*. So, this conclusion is in line with previous research that stated that *transfer pricing* has an effect on previous research by Wulandari, et al., (2023), and researchers who stated that *transfer pricing* has an impact on *tax avoidance* in research by Dewi, et al., (2023).

Accounting conservatism explains that the cautious attitude applied in the process of preparing financial statements, namely not recognizing profits without adequate evidence and immediately recording potential debts or losses that may arise. The high level of accounting conservatism encourages companies to be more cautious so that they can control *tax avoidance practices*. This is in accordance with the research of Rosdiani et al., (2020) which shows that accounting conservatism affects *tax avoidance*.

H1: It is suspected *that Transfer Pricing* and Accounting Conservatism have an effect on *Tax Avoidance*.

The Influence of *Transfer Pricing* on Tax Avoidance

According to *the OECD* (1979 in Panjalusman et al., 2018), *transfer pricing* is defined as the termination of transaction prices between entities/companies in a multinational group that can differ from the fair market price. So many multinational companies will implement *transfer pricing* practices in an effort to avoid taxes. The existence of subsidiaries owned in various countries makes it an easy way to avoid taxes because you can take advantage of different tax rates in different countries (Sarri, et al., 2023). Previous research conducted by Wulandari, et al, (2023) shows that *transfer pricing* has an influence on Tax Avoidance.

H2: It is suspected *that Transfer Pricing* has an effect on *Tax Avoidance*

The Influence of Accounting Conservatism on Tax Avoidance

Accounting conservatism is said to be an attitude of prudence exercised by financial management when preparing financial statements, by delaying the recognition of income and assets until it is actually realized, while losses or liabilities are acknowledged as soon as there is an indication. This principle is reflected in the negative accrual value, the more negative the accrual value, the higher the level of corporate accounting conservatism. (Alkurdi et al., 2017). This is in line with the research of Rosdiani et al, (2020) which resulted in the influence of accounting conservatism on *tax avoidance*.

H3: Alleged Accounting Conservatism Affects *Tax Avoidance*

The Moderating Effect of Sales Growth on the Relationship Between *Transfer Pricing* and Tax Avoidance

The purpose of using *sales growth* is to measure sales increase in a certain period (Hidayat, 2018). Sales growth indicates the company's expansion and an increase in assets, which ultimately has an impact on the increase in the amount of tax payable. Previous research conducted by Nadhifah et al, (2020) shows that sales growth strengthens the influence of *transfer pricing*. Because high *sales growth* affects the company's ability to maintain profitability, especially related to *transfer pricing practices*. However, the more frequent *transfer pricing* is carried out, the company's chances of avoiding taxes actually increase.

H4: It is suspected *that Sales Growth* is able to strengthen the influence of *Transfer Pricing* on *Tax Avoidance*

The Moderating Effect of Sales Growth on the Relationship Between Accounting Conservatism and Tax Avoidance

Sales growth is calculated based on the comparison of sales between years. This growth shows sales performance as well as management's prudence in recognizing revenue to match the available evidence. The results of previous research conducted by Ariyani et al., (2023) stated that *sales growth* has an impact on accounting conservatism on *tax avoidance*, a significant increase in revenue

can encourage an increase in profits that will be more conservative in financial statements, which then triggers companies to carry out *tax avoidance* to reduce tax burdens.

H5: It is suspected that *Sales Growth* is able to strengthen the influence of Accounting Conservatism on *Tax Avoidance*.

3. RESEARCH METHODS

The research method used is quantitative with relevant secondary databases to analyse the role of *sales growth* in moderating the influence of *transfer pricing* and accounting conservatism on *tax avoidance*. The information data used comes from the financial and annual statements of *non-cyclical consumer* sector companies on the IDX during the 2019-2023 period. According to Sugiyono (2020), data analysis in a quantitative approach is a stage that is carried out after all information, both from respondents and other sources, has been fully available. This analysis process includes the use of descriptive statistics, analysis model selection, classical assumption testing, and hypothesis testing. The entire data processing and testing process was carried out with Microsoft Excel and E-Views version 9 in this study.

Sample determination is carried out by *purposive sampling*, which is a sample determination technique that refers to predetermined criteria. In this study, an outlier was carried out. According to Ghozali (2021), outliers are data that have their own characteristics or, when viewed significantly from other observational data in a study. The criteria used in sample selection are as follows:

Table 1 : Sample Selection Criteria

| No | Criterion | Not Compliant Criterion | Meet the Criteria |
|--|--|----------------------------|----------------------|
| 1. | Companies listed on the Indonesia Stock Exchange during the period 2019–2023 in the <i>Consumer Non-Cyclicals</i> sector | | 130 |
| 2. | Financial statements are expressed in Rupiah units | (3) | 127 |
| 3. | The company posted a consistently positive net profit during 2019-2023 | (39) | 88 |
| 4. | The Company has carried out Initial Public Offering (IPO) by 2019 at the latest. | (46) | 42 |
| 5. | The company's financial statements provide complete data according to the needs of the variables in the research. | (15) | 27 |
| Number of Samples That Meet the Criteria During 2019 – 2023 (27 Companies X 5 Years) | | | 135 |
| Number of <i>Outlier</i> data (11 Companies X 5 Years) | | | 55 |

Research Variables

This research involves a number of variables, such as *tax avoidance* (dependent variable), *transfer pricing* and accounting conservatism (independent variable), and *sales growth*. In this study, no control variables were used because the main focus of this study was to examine the influence of *transfer pricing* and accounting conservatism on *tax avoidance*, as well as the role of *sales growth moderation*.

Tax Avoidance

Tax avoidance plays a role as an influenced/dependent variable in this study. By doing *tax avoidance*, it will affect tax obligations, whether it is something allowed by tax law or an effort made with the aim of reducing the total payment of the tax burden owed. *Tax avoidance* can be said to be a legitimate action that takes advantage of loopholes or weaknesses in tax regulations to avoid tax liability. (Dewi et al. 2023)

By using the *Effective Tax Rate* as a proxy for calculating *tax avoidance* in this study. ETR has a negative meaning in *tax avoidance*. If the ETR is high, the *tax avoidance* in the company will be low and vice versa. Thus, companies become more aggressive to taxes that have a low ETR, compared to a high ETR (Ainniyya et al., 2021). With this, it can be measured using the ETR formula as follows:

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

Transfer Pricing

Transfer pricing can be explained as price planning carried out in transactions between companies or entities that have a relationship if referring to the provisions listed in the Regulation of the Director General of Taxes Number: PER-32/PJ/2011. The OECD explains that the concept of *transfer pricing* refers to when a multinational company sets a price for transactions between members of related parties. Such specified prices may differ and deviate from the fair market price, provided that they are beneficial to the company with which they have a special relationship. (OECD, 1979) in Panjalusman et al. (2018).

So (Wulandari et al., 2023) stated that to measure *transfer pricing*, the following formula can be used :

$$TP = \frac{\text{Accounts Receivable from Related Parties}}{\text{Total Receivable}}$$

Accounting Conservatism

Financial Accounting Standards (SAK) explain that accounting conservatism is a principle in accounting that provides direction to companies to

postpone revenue recognition until it is fully realized, speed up the recording of expenses, estimate with the lowest value in assessing inventory, and record liabilities with higher estimates. The application of this principle tends to result in reporting that shows greater expenses and liabilities, or conversely, reported profits and assets become smaller. (Rosdiani et al., 2020).

A decrease in the company's profit will have an effect on the decrease in the tax burden that must be paid, because profit is the main reference in the calculation of tax liability. The principle of conservatism in accounting is closely related to negative accrual values, where the greater the negative accrual value recorded, the higher the level of conservatism reflected in the company's financial statements (Alkurdi et al., 2017). So (Ellyanti et al., 2022) states that the measurement of accounting conservatism can use the following formula :

$$Accrual = \frac{Profit\ after\ tax + Depreciation\ expense - Net\ operating\ cash}{Total\ asset}$$

4. RESULTS AND DISCUSSION

Descriptive Analysis

Descriptive statistics used in this study present an overview of the data studied based on each variable used. The purpose of descriptive statistical analysis used in this study is to describe the data characteristics of *tax avoidance* (dependent variable), *transfer pricing* and accounting conservatism (independent variable), and *sales growth* (moderation variable).

Table 2 : Descriptive Statistical Test

| | ETR Y | TP X1 | KA X2 | SG M |
|--------------|----------|----------|-----------|-----------|
| Mean | 0.224529 | 0.255477 | 0.230311 | 0.080896 |
| Median | 0.221144 | 0.074065 | 0.232868 | 0.081119 |
| Maximum | 0.280846 | 0.946941 | 0.529976 | 0.517013 |
| Minimum | 0.167640 | 0.000462 | -0.042333 | -0.465160 |
| Std. Dev. | 0.026280 | 0.318109 | 0.103709 | 0.152654 |
| Observations | 80 | 80 | 80 | 80 |

Source : *Output EViews 9, 2025*

Based on the results of the descriptive statistical analysis above, it shows that the amount of data in this research includes 80 observations used in the financial statements for each variable. The descriptive statistical results of each variable are as follows:

- a. Tax Avoidance shows a mean value of 0.224529, with a maximum value of 0.280846 and a minimum value of 0.167640. The standard deviation value of this variable is 0.026280, while the median value is recorded at 0.221144.
- b. Transfer Pricing shows a mean value of 0.255477. The maximum value of this variable is 0.946941 and the minimum value is 0.000462. The standard deviation was 0.318109, while the median value was recorded at 0.074065.

- c. Accounting Conservatism shows a mean value of 0.230311, with a maximum value of 0.529976 and a minimum value of -0.042333. The standard deviation of this variable is 0.103709, while the median value is recorded as 0.232868.
- d. Sales Growth shows a mean value of 0.080896, with a maximum value of 0.517013 and a minimum value of -0.465160. The standard deviation value is 0.152654, while the median value is recorded at 0.081119

Coefficient of Determination Test (R2)

The purpose of the determination coefficient (R2) was tested to assess the extent to which the regression model was able to show the adapted variation of each dependent variable. Thus, the results of the research from the analysis of the decontamination coefficient can be shown as follows:

Table 3 : Coefficient of Determination Test Before Moderating

| | | | |
|--------------------|----------|--------------------|----------|
| R-squared | 0.574752 | Mean dependent var | 0.224529 |
| Adjusted R-squared | 0.458151 | S.D. dependent var | 0.026280 |

Source : *Output EViews 9, 2025*

Table 3 shows the value of *the Adjusted R-squared* before entering the moderation variable is 0.458151 or equivalent to 45.8%. This indicates that the variables of *transfer pricing* and accounting conservatism are able to explain 45.8% of the variation as independent variables that occur in *tax avoidance*. Meanwhile, the rest had an influence on external variables by 54.2%.

Table 4 : Coefficient of Determination Test After Moderating

| | | | |
|--------------------|----------|--------------------|----------|
| R-squared | 0.610622 | Mean dependent var | 0.224529 |
| Adjusted R-squared | 0.478629 | S.D. dependent var | 0.026280 |

Source : *Output EViews 9, 2025*

Table 4 shows the value level of *the Adjusted R-squared* before entering the moderation variable is 0.478629 or equivalent to 47.9%. This indicates that the variables of *transfer pricing* and accounting conservatism are able to explain 47.9% of the variation as independent variables that occur in *tax avoidance*. Meanwhile, the rest had an influence on external variables by 52.1%.

Simultaneous Significance Test (Statistical Test F)

The purpose of the F (simultaneous) test is to identify whether all the independent variables used in the study will affect the bound variables. The results of the simultaneous F test in this study are presented as follows:

Table 5 : Statistical Test F Before Moderating

| | | | |
|-------------------|----------|--------------------|----------|
| F-statistic | 4.929246 | Durbin-Watson stat | 2.080316 |
| Prob(F-statistic) | 0.000002 | | |

Source : *Output EViews 9, 2025*

Table 5 shows the results of the Prob value (F-Statistic) in this study before moderation of $0.000002 < 0.05$, meaning that simultaneously the variables of *transfer pricing* and accounting conservatism have an effect together on *tax avoidance*.

Table 6 : Statistical Test F After Moderating

| | | | |
|-------------------|----------|--------------------|----------|
| F-statistic | 4.626184 | Durbin-Watson stat | 2.185965 |
| Prob(F-statistic) | 0.000002 | | |

Source : *Output EViews 9, 2025*

Table 6 produces a Prob value (F-Statistic) in this study after moderation of $0.000002 < 0.05$, meaning that *the variables of transfer pricing* and accounting conservatism have a simultaneous effect on *tax avoidance*.

Individual Parameter Significance Test (Statistical Test t)

The purpose of the (partial) t-test is to identify whether each independent variable present in the study will individually have an influence on the bound variable. The results of partial (individual) t testing in this study can be seen in the following results:

Table 7 : Statistical t-Test Before Moderating

| Variable | Coefficient | Prob. |
|----------|-------------|--------|
| C | 0.248243 | 0.0000 |
| TP_X1 | 0.006258 | 0.7263 |
| KA_X2 | -0.109908 | 0.0003 |

Source : *Output EViews 9, 2025*

Table 7 results in a t-test before moderation can be described as follows:

1. The prob. value of *transfer pricing* shows a figure of $0.7263 > 0.05$, so it can be interpreted that *transfer pricing* has no effect on *partial tax avoidance*.
2. The prob. value of the variable of accounting conservatism shows a number of $0.0003 < 0.05$ so it can be interpreted that accounting conservatism has an effect on *partial tax avoidance*.

Table 8 : Statistical t-Test After Moderating

| Variable | Coefficient | Prob. |
|----------|-------------|--------|
| C | 0.253764 | 0.0000 |
| TP_X1 | -0.007729 | 0.6873 |
| KA_X2 | -0.120581 | 0.0003 |
| SG_M | -0.075430 | 0.1256 |
| X1_Z | 0.101228 | 0.0386 |
| X2_Z | 0.170205 | 0.3446 |

Source : *Output EViews 9, 2025*

In table 8 the resulting t-test after moderation can be described as follows:

- a. The prob. value for the transfer pricing variable was recorded at $0.6873 >$

0.05. Thus, *transfer pricing* has no effect on *partial tax avoidance*.

- b. The prob. value for the accounting conservatism variable is $0.0003 < 0.05$. Thus, accounting conservatism has been proven to have an effect on *partial tax avoidance*.

Moderated Regression Analysis Test

The analysis of moderation regression (MRA) in this study was used to identify and test the interaction between independent and dependent variables, by including interaction elements in the form of multiplication between two or more variables in the regression model (Ghozali, 2021). In the context of this study, the form of interaction analysed is the result of multiplication between *transfer pricing* and *sales growth*, as well as accounting conservatism with *sales growth* on *tax avoidance*. So, the conclusion of the MRA test in this study is presented as follows:

Table 9 : Moderated Regression Analysis Test

| Variable | Coefficient | Prob. |
|----------|-------------|--------|
| C | 0.253764 | 0.0000 |
| TP_X1 | -0.007729 | 0.6873 |
| KA_X2 | -0.120581 | 0.0003 |
| SG_M | -0.075430 | 0.1256 |
| X1_Z | 0.101228 | 0.0386 |
| X2_Z | 0.170205 | 0.3446 |

Source : Output EViews 9, 2025

In table 9, the results of the Moderated Regression Analysis (MRA) test can be explained as follows:

1. The results of the interaction test of the variables *Transfer Pricing* and *Sales Growth* on *Tax Avoidance* (X1_Z) produced a β value of 0.101228 and a significance value of $0.0386 < 0.05$, while the results of the *Transfer Pricing* variable on *Tax Avoidance* (TP_X1) were found to have a β value of -0.007729 and a significance value of $0.6873 > 0.05$. This *sales growth* can strengthen the relationship between *transfer pricing* and *tax avoidance*, because with the company's high sales performance, the company's opportunities to carry out *transfer pricing* will also be large, and the tax avoidance carried out will also be greater. Thus, this moderation is a type of predictor moderation, where *sales growth* (Z) is directly related to *tax avoidance* (Y) and *transfer pricing* (X1), but without direct interaction with *transfer pricing* (X1).
2. The results of the interaction test of the variables of Accounting Conservatism and *Sales Growth* on *Tax Avoidance* (X2_Z) produced a β value of 0.170205 and a significance value of $0.3446 > 0.05$, while the results of the variable of Accounting Conservatism on *Tax Avoidance* (KA_X2) found that the value of β - 0.120581 and significance value $0.0003 < 0.05$. Thus, this moderation is a type of pure moderation, where *sales growth* (Z) is not directly related to *tax avoidance* (Y) and/or accounting conservatism (X2), but direct interaction with accounting conservatism (X2).

The Influence of Transfer Pricing and Accounting Conservatism on Tax Avoidance

The analysis was conducted using the Fixed Effect Model (FEM), which was identified as the most appropriate panel data regression approach based on the results of the Chow test and the Hausman test. The results of the F-test (simultaneous) show that the variables transfer pricing and accounting conservatism have a significance value of $0.000002 < 0.05$, indicating that H1 is accepted. This suggests that transfer pricing and accounting conservatism jointly exert a significant influence on tax avoidance.

A higher likelihood of transfer pricing increases the potential for tax avoidance, as elevated tax rates encourage both domestic and multinational firms to engage in tax planning through transfer pricing. This finding aligns with agency theory, which posits that the government, acting as the principal, formulates regulations to control managerial behaviour (agents) and prevent the misuse of transfer pricing practices.

Similarly, conservative financial reporting tends to reduce reported earnings, thereby lowering tax liabilities. However, lower reported profits do not necessarily diminish tax avoidance practices. In fact, the greater the degree of conservatism in financial reporting, the higher the probability that firms engage in tax avoidance. This is consistent with signalling theory, whereby prudence in financial reporting serves as a signal of reliability and as a legitimate mechanism for reducing tax obligations.

In conclusion, transfer pricing and accounting conservatism simultaneously play a crucial role in shaping the extent of corporate tax avoidance, whether through cross-border tax planning or conservative reporting strategies. These findings are consistent with previous studies by Dewi et al. (2023), which demonstrated the influence of transfer pricing on tax avoidance, as well as Rosdiani et al. (2020), which confirmed the effect of accounting conservatism on tax avoidance.

The Influence of Transfer Pricing on Tax Avoidance

Based on the results of the t-test (partial), it can be seen that the transfer pricing variable has a significance value of $0.7263 > 0.05$, which means that H2 is rejected. Thus, it can be stated that the transfer pricing variable does not have a significant effect on tax avoidance.

In addition, this indicates that companies engaging in transfer pricing practices do not entirely use such actions as an effort to conduct tax avoidance. This can be linked to agency theory, where the government acts as the principal in formulating regulations to serve its interests and to prevent transfer pricing practices carried out by company managers, who act as agents, for the purpose of tax avoidance. Therefore, although agency theory predicts the potential for manipulation, such potential effects can be minimized through effective control mechanisms.

These findings are consistent with the study by Suciati et al. (2024), which concluded that an increase in transfer pricing does not affect tax avoidance.

However, the results are not in line with the findings of Wulandari et al. (2023), which revealed that transfer pricing plays a significant role in influencing companies' decisions to reduce their tax burdens, particularly through transactions with affiliated entities abroad.

The Influence of Accounting Conservatism on Tax Avoidance

Based on the results of the t-test (partial), it can be seen that the accounting conservatism variable has a significance value of $0.0003 < 0.05$, which means that H3 is accepted. Thus, it can be stated that the accounting conservatism variable has a significant effect on tax avoidance.

With the tax burden borne by the company, there is a tendency to apply accounting conservatism as a legal method to reduce tax obligations. The higher the level of conservatism, the greater the likelihood that the company will engage in tax avoidance, and vice versa. These results are consistent with signalling theory, which states that prudence in income reporting provides a signal that the company's financial statements are reliable. The application of conservatism shows that companies recognize losses and expenses earlier than gains and assets, so financial statements do not overstate profits and assets.

These findings are consistent with previous research by Rosdiani et al. (2020), which revealed that accounting conservatism influences tax avoidance. However, this result is not in line with the findings of Ningsih et al., (2020), which concluded that accounting conservatism has no effect on tax avoidance.

The Moderating Effect of Sales Growth on the Relationship Between Transfer Pricing and Tax Avoidance

Based on the results of the MRA test, it can be seen that the value of prob. *Transfer pricing* moderated by *sales growth* has a significance value of $0.0386 < 0.05$, this means that H4 is acceptable. So, from this statement, it is stated that the *sales growth* variable can moderate the relationship between *transfer pricing* and *tax avoidance*.

Sales growth can strengthen the relationship between *transfer pricing* and *tax avoidance*, which means that a high level of sales in the company can have an impact on the increase in *transfer pricing* actions carried out by companies in tax avoidance. With sales growth in a period, it will affect the company's decision to determine a price policy that deviates from the fair market price in a transaction carried out by related parties in order to avoid paying their increasingly large business tax burden. Sales growth encourages companies to set distorted prices in transactions between related parties to reduce tax liability. In the context of agency theory, the government as the principal wants tax revenue, while the company as an agent seeks to maximize profits by minimizing taxes.

Thus, this finding is in line with the results of research conducted by Nadhifah, et al. (2020), which stated that *sales growth* can moderate and strengthen the negative influence of the relationship between *transfer pricing* and *tax avoidance*. However, these results contradict research conducted by Suryantari et al. (2022), which concluded that *sales growth* does not moderate in the relationship between *transfer pricing* and *tax avoidance*.

The Moderating Effect of Sales Growth on the Relationship Between Conservatism Accounting and Tax Avoidance

Based on the results of the MRA test, it can be seen that the probability value of accounting conservatism moderated by *sales growth* has a significance value of $0.3446 > 0.05$, this means that H5 is rejected. So, from this statement it is stated that it is not possible to moderate the *sales growth variable* in the relationship between accounting conservatism and *tax avoidance*.

There is no moderation role of *sales growth* in the relationship between accounting conservatism and *tax avoidance*, meaning that sales growth does not affect the company's conservative policies in tax avoidance strategies. The company still applies the prudential principle by acknowledging losses ahead of profits to minimize potential liabilities. According to signal theory, sales growth is usually used to signal a company's prospects. However, if *sales growth* does not affect the relationship between conservatism and *tax avoidance*, then the signal is not strong enough to change the company's financial reporting policies or tax strategy.

5. CONCLUSIONS AND SUGGESTIONS

This study aims to assess the extent to which *Sales Growth* moderates the relationship between *Transfer Pricing* and Accounting Conservatism to *Tax Avoidance*, with *Consumer Non-Cyclicals sector companies* listed on the Indonesia Stock Exchange (IDX) as the object of research during the 2019–2023 period. Referring to the results of the data analysis that has been researched, it can be concluded as follows; Based on the results of the F test (Simultaneous), it shows that *the variables Transfer Pricing* and Accounting Conservatism have a simultaneous effect on *Tax Avoidance*. Meanwhile, the results of the t-test (Partial) showed that the *Transfer Pricing* variable had no effect and Accounting Conservatism had an effect on *Tax Avoidance* partially. And the results of the MRA test show that *the variable Sales Growth* can strengthen the relationship between *Transfer Pricing* to *Tax Avoidance* and *Sales Growth* cannot strengthen the relationship between Accounting Conservatism and *Tax Avoidance*.

The researcher provides several suggestions for further research related to *tax avoidance* :

- a. The company is expected to improve the quality of financial statement disclosure on the official website and IDX to make it easier for researchers to access information.
- b. Researchers are then advised to explore other factors that affect *tax avoidance* with independent variables and research objects with a larger scope to improve the accuracy of the results obtained.
- c. The government is expected to tighten the implementation of tax rules, increase cooperation in information exchange, and ensure policies in accordance with company activities to prevent illegal tax avoidance practices.

- d. Investors should pay attention to the company's *tax avoidance* rate , because legal and regulatory tax avoidance can increase the company's value and potential profits.

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