

# The Effect of Transfer Pricing and Sales Growth on Tax Avoidance with the COVID-19 Pandemic as a Moderation Variable

Christo Oktavianus<sup>1</sup>, Erlina<sup>2</sup>, Rujiman<sup>3</sup>

<sup>1,2,3</sup>Department of Accounting, Faculty of Economics and Business Universitas Sumatera Utara, Indonesia

Corresponding Author: Christo Oktavianus

DOI: <https://doi.org/10.52403/ijrr.20231262>

## ABSTRACT

This research aims to determine the effect of transfer pricing and sales growth on tax avoidance with the COVID-19 pandemic as a moderating variable in healthcare sector companies listed on the IDX in 2018-2022.

This research was conducted based on information obtained on the Indonesian Stock Exchange. The sampling technique for this research uses a purposive sampling method. The population in this study were 30 healthcare sector companies listed on the IDX in 2018-2022, and the sample used was ten companies. The data types used are secondary and panel data with regression data analysis techniques and the Moderate Regression Analysis (MRA) test with the EViews 10 analysis tool.

This research shows that transfer pricing has a positive and significant effect on tax avoidance, and sales growth has a positive and significant effect on tax avoidance. The COVID-19 pandemic was able to positively moderate (strengthen) the influence of transfer pricing on tax avoidance, and the COVID-19 pandemic was able to negatively moderate (weaken) the influence of sales growth on tax avoidance.

**Keywords:** *transfer pricing, sales growth, tax avoidance, COVID-19 pandemic, healthcare sector*

## INTRODUCTION

Tax is a mandatory contribution to the state owed by an individual or body that is coercive based on law, without receiving direct compensation, and is used for state needs for the greatest prosperity of the

people. It is stated in Law No. 7 of 2021 concerning Harmonization of Tax Regulations (HPP). Even though Indonesia is a developing country with the fourth largest population in the world, tax revenues in Indonesia are still not optimal. The following is information about comparing state income to Indonesia's Gross Domestic Product as quoted from the report on Indonesia's Gross Domestic Product According to Expenditures for 2018-2022 by the Indonesian Central Bureau of Statistics.

**Table 1. Indonesian Tax Ratio in the Last Five Years (in Billion Rupiahs)**

Description	2018	2019	2020	2021	2022
Gross Domestic Product	14.838.756,0	15.832.657,2	15.444.353,2	16.976.690,8	19.588.445,6
Tax Revenue	1.518.789,8	1.546.141,9	1.285.136,3	1.547.841,1	1.924.937,5
Resource Revenue	180.592,6	154.895,3	97.225,1	149.489,4	218.493,1
Tax Ratio (%)	11,45	10,74	8,95	10,00	10,94

Source: Badan Pusat Statistik (2023)

The tax ratio value can describe how significant the portion of taxes is in a country's economy. Calculating the tax ratio in Table 1 shows that the contribution to Gross Domestic Product is only around 8% to 11%. The tax ratio appears to have decreased in 2020, namely 8.95, allegedly due to the impact of the COVID-19 pandemic (BPS, 2023). However, the following year, the tax ratio increased in line with the improvement in the Indonesian economy. The tax ratio will be 10.94% in 2022, the highest since 2019. Even though the tax ratio has increased after the COVID-19 pandemic, this does not change the fact

that Indonesia's tax ratio will be lower than its neighboring countries in 2022. Even in OECD notes, Indonesia's tax ratio is the third lowest country's tax ratio in Asia Pacific. The OECD also states that a country must have at least a tax ratio of 15% to optimize development and national income.

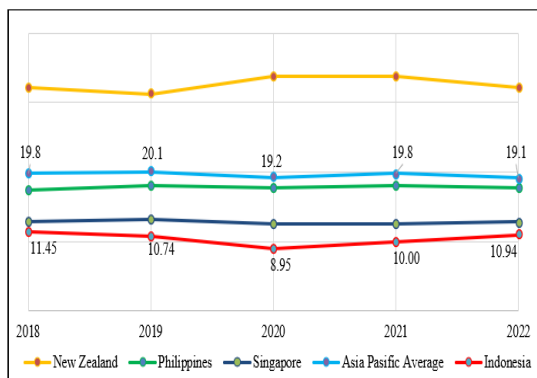


Figure 1. Indonesia's Tax Ratio Compared with Asia Pacific Countries in the 2018-2022  
Source: OECD (2022)

On the one hand, the government wants to increase tax revenues. On the other hand, taxpayers, especially corporate taxpayers, want to minimize tax expenses (Kim et al., 2019). With these differences in interests, companies are encouraged to carry out activities that can minimize tax payments by exploiting imperfections in a country's tax laws legally or through tax avoidance (Suryantari & Mimba, 2022). Even though tax avoidance activities are legal in Indonesia, the government does not desire this activity because it reduces state income (Sari et al., 2020).

Many ratios can be used to measure tax avoidance activities carried out by companies. In this research, the ratio used is the Effective Tax Ratio (ETR). A company's Effective Tax Ratio (ETR) is the average rate at which its profit before tax is taxed. Based on observations of the Effective Tax Ratio (ETR) in healthcare sector companies listed on the IDX, several companies still pay less than 25% of their taxes in the 2018 to 2022 period.

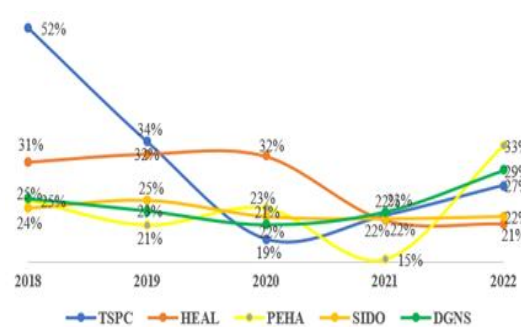


Figure 2. Healthcare Sector Companies that Have an Effective Tax Ratio (ETR) of Less than 25%

Based on Figure 2 above, it is known that several companies have an effective tax ratio (ETR) of less than 25%. The company in question is PT. Tempo Scan Pacific Tbk (TSPC), PT. Medikaloka Hermina Tbk (HEAL), PT Phapros Tbk (PEHA), PT. Sido Muncul Herbal Medicine and Pharmaceutical Industry Tbk (SIDO), and PT DiagnosLab Utama Tbk (DGNS). Refers to the company's financial report, it is recorded that PT. Tempo Scan Pacific Tbk (TSPC) is indicated for tax evasion in 2020 with an ETR of 19% and in 2021 with an ETR of 22%. PT. Medikaloka Hermina Tbk (HEAL) is indicated to be committing tax evasion in 2022 with an ETR of 21%. PT Phapros Tbk (PEHA) is indicated for tax avoidance in 2021 with an ETR of 15%. PT. The Sido Muncul Tbk (SIDO) Herbal Medicine and Pharmaceutical Industry was indicted for tax evasion in 2018 with an ETR of 24%. Finally, PT DiagnosLab Utama Tbk (DGNS) was indicated for tax evasion in 2019 with an ETR of 23%, in 2020 with an ETR of 21%, and in 2021 with an ETR of 23%.

One of the activities commonly carried out by companies in tax avoidance is transfer pricing. Initially, transfer pricing was intended to make it easier for parent companies to transact with subsidiaries located abroad by following applicable regulations (Smolarski et al., 2019). Multinational companies tend to adjust their finances towards optimal levels of tax avoidance quickly, and many corporate managers consider the direct benefits of tax avoidance and non-tax-related costs of each tax planning decision (Kim et al., 2019).

However, it is miserable that multinational companies often use transfer pricing activities to avoid domestic tax levies so that the income tax paid by the company decreases. Abuse of transfer pricing by multinational companies (MNEs) is a hot issue worldwide (Kumar et al., 2021). Arbitrary transfer pricing results in erosion of the tax base and a shift in profits from countries with high tax rates to countries with lower tax rates, thereby enabling tax avoidance. Developing countries are said to suffer the most from the negative impact of transfer pricing manipulation (Mpfung et al., 2021). Leadership and organizational culture can influence accounting practices in an organization. Of course, tax avoidance in each company is carried out in different ways depending on the regulatory regime in tax management (Toumi et al., 2022).

Based on research by Ramdhani et al. (2021), it is stated that tax avoidance can be done through transfer pricing. Higher multinational tax rates in the country of origin of the company's activities will encourage companies to carry out transfer pricing. Based on these circumstances, multinational companies know the opportunities or benefits that can be taken from transactions with affiliated parties. However, research by Suryantari & Mimba (2022) and Panjalusman et al. (2018) stated that transfer pricing does not affect tax avoidance due to the existence of new policies in the field of taxation caused by changes in the government system, such as the tax amnesty, etc. So that companies do not need to avoid taxes. In minimising transfer pricing activities detrimental to the state, companies are expected to increase transparency and accountability by submitting transfer pricing documentation for every intra-company trade between related parties (Amidu et al., 2019).

Sales growth is the ideal impact of sales management and organizational innovation that drives revenue and positive customer response to company innovation (Groza et al., 2021). The higher the sales growth rate of a company, the more direct impact it will

have on company profits and taxes (Kohtamäkia et al., 2019). Safitri's (2021) research results state that company sales growth positively affects tax avoidance practices so that the size of the net sales obtained influences the tax payments borne by the company. Thus, the high amount of tax that must be paid encourages management to organize strategies in such a way as to reduce the tax burden or carry out tax avoidance practices (Sari, 2022). However, the research results by Fitria and Bintara (2022) stated that sales growth does not affect tax avoidance practices because high sales growth does not necessarily result in large profits. Increasing sales growth can impact the company's operational activities, so the higher the company's sales volume, the higher the operational costs that will be incurred to produce products so that company management does not need to carry out tax avoidance activities.

The COVID-19 pandemic has decreased income and losses in various business sectors. During the COVID-19 pandemic, Indonesia's tax revenues decreased due to weak economic conditions. The government is trying to increase economic activity by providing tax incentive programs to companies as affected taxpayers. However, companies use this program to carry out tax planning with tax avoidance (Pradana & Wulandari, 2023). From a company's perspective, paying taxes is a significant expense and is often seen as an obstacle to business. Therefore, many companies avoid taxes amidst COVID-19 to prevent a liquidity crisis (Athira & Ramesh, 2023).

In contrast, corporate tax revenues are an indispensable source of income for governments for the country's development, addressing inequality and offering support during crises. Considering the different views on tax compliance in the company-government context, the author reviews several studies that discuss how COVID-19 affects company compliance in paying taxes. Based on the research results by Barid and Wulandari (2021), there has been an increase in tax avoidance practices during the Covid-

19 pandemic. It resulted in a decrease in state tax revenues during 2020.

Health sector companies operate in health equipment and supplies, health service providers, pharmaceuticals, and health research. The health sector is considered a defensive sector company, which does not negatively impact the economic recession (CNBC, 2022). Based on Figure 1, the rate of economic growth in the health sector in 2020 was at the highest point in the last ten years, namely 11.56%. This growth was caused by the COVID-19 pandemic, which made health products and services the most needed apart from necessities. It is in line with the health sector's contribution to national GDP, where the health sector contributed 1.3% to national GDP in 2020. Not only that but the health sector and social activities were also the only sectors whose contribution changes were consistently positive during the pandemic (Nicola et al., 2020). With the consistent growth rate of the health sector relative to national GDP, it is indicated that there has been an increase in sales, which has increased operating profit (Sharifa et al., 2020). It encourages managers to manage company tax expenditures to produce maximum net profits.

Based on the things described above and the existence of a research gap, namely the inconsistency of results from previous studies and the lack of literature on tax avoidance during the COVID-19 pandemic, this research re-examines transfer pricing and sales growth activities in influencing company decisions. Avoid taxes in Indonesia before the COVID-19 pandemic, during the COVID-19 pandemic, and after the COVID-19 pandemic in health sector companies listed on the IDX.

## **LITERATURE REVIEW**

### **Tax Avoidance**

Tax avoidance is an effort to lighten the tax burden by not violating the law (Mardiasmo, 2018). Tax avoidance is an arrangement to minimize the tax burden incurred. It is not a tax violation but rather an effort to reduce, avoid minimizing, or

lighten the tax burden through methods permitted by tax law (Masurroch et al., 2021). Tax avoidance is biased; for the government, this practice is detrimental, but for companies, it is helpful, so it can help improve the company's cash flow by taking advantage of regulatory loopholes to reduce the tax owed. On the one hand, tax avoidance can increase a company's cash flow, but it can also increase agency costs, information risk, and the risk of supervision by the tax authority (Sanchez-Ballesta and Yague, 2023).

### **Transfer Pricing**

Transfer pricing is used to manage organizations by setting prices centrally and simultaneously, allowing managers to choose transfer pricing that best suits their specific operating situations and conditions (Smolarski et al., 2019). Therefore, transfer pricing is a company policy in determining the transfer price of a transaction, be it goods, services, intangible assets, or financial transactions carried out by the company. The company's objectives in carrying out transfer pricing are to maximize global income, secure the competitive position of the company's subsidiaries/branches and market penetration, evaluate the performance of foreign subsidiaries/branches, avoid foreign exchange controls, control the creditability of the association, reduce monetary risk, regulate the cash flow of the subsidiaries/branches. Adequate, fostering good relations with local administration, reducing the burden of taxes and import duties, and reducing the risk of expropriation by the government (Rosad et al., 2020).

### **Sales Growth**

Sales growth is a variable that determines a company's level of profit. A company can predict the level of profit that will be obtained through sales growth. Sales growth is essential in a company, especially in working capital management, so it can

predict how much profit it has generated and how much sales will increase from year to year (Arciniega et al., 2021). According to Mahmutaj and Krasniqi (2020), "Sales growth is a change in sales in financial reports that can reflect the company's perspective and profit power in the coming year." The conclusion from this definition is that sales growth is the change in sales in a company's financial statements from year to year, reflecting the company's perspective and profit power.

### Framework

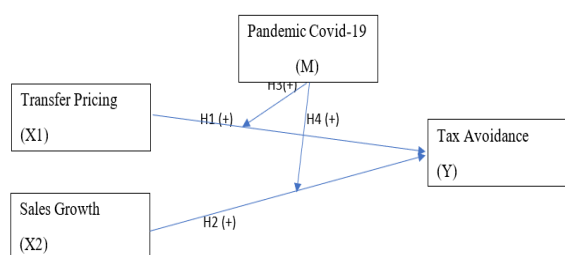


Figure 3. Framework

H1: Transfer pricing has a positive effect on tax avoidance

H2: Sales growth has a positive effect on tax avoidance

H3: The COVID-19 pandemic strengthens the relationship between transfer pricing and tax avoidance.

H4: The COVID-19 pandemic strengthens the relationship between sales growth and tax avoidance.

### MATERIALS & METHODS

This type of research is included in the type of causal associative research, namely research that identifies causal relationships between various variables (Erlina & Mulyani, 2017). This research aims to discover more about the factors influencing tax avoidance with the COVID-19 pandemic as a moderating variable.

The population used is all healthcare sector companies registered on the IDX for the 2018-2022 period, namely 31 companies. To determine a sample whose size corresponds to the sample size that will be used as the actual data source, taking into

account the characteristics and distribution of the population to obtain a representative sample, the author uses a sampling technique through purposive sampling technique. After carrying out the sampling technique under the criteria above, ten healthcare sector companies that met the criteria for the sample collection technique in this research were selected as samples. The sample is part of the number and characteristics of the population (Sugiyono, 2014: 81). In this research, the type of data used is secondary data. Secondary data is obtained indirectly or through intermediary media (Hardani et al., 2020: 247). Secondary data in this research is in the form of annual financial reports audited by independent auditors for each healthcare sector company for 2018-2022 and company data obtained from the Indonesia Stock Exchange website.

### RESULT

#### Selecting a panel data regression model Common Effect Model (CEM).

The Common Effect Model (PLS) is the simplest panel data model approach. This method uses the Ordinary Least Square (OLS) approach or least squares technique to estimate panel data models. The following are the results of the Common Effect model.

Table 1. Model Common Effect (OLS) Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.259474	0.017662	14.69105	0.0000
X1	-0.025778	0.034211	-0.753502	0.4550
X2	0.222872	0.084162	2.648142	0.0111
Z	-0.015148	0.021503	-0.704491	0.4847

Source: EViews 10, 2023

#### Fixed Effect Model (FEM)

The fixed effect model is a technique for estimating panel data using dummy variables to capture differences in intercepts between companies. This estimation model is often called the Least Square Dummy Variable (LSDV) technique. The fixed effect method can show constant differences between

objects, even with the same regressor coefficients. The following are the estimation results of the fixed effect model.

**Table 2. Model Fixed Effect Results**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.060636	0.024579	2.466989	0.0184
X1	0.540916	0.069246	7.811558	0.0000
X2	0.124671	0.038476	3.240221	0.0025
Z	-0.010122	0.007930	1.276398	0.2098

Source: EViews 10, 2023

### Random Effect Model (REM)

This model estimates panel data where disturbance variables may be interconnected over time and between individuals. In the random effect model, intercept differences are accommodated by the error terms for each company. This model is also called the Generalized Least Square (GLS) technique. The results of the random effect model test on the equation model can be seen in the table below:

**Table 4. Random Effect Model Results**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.163655	0.027996	5.845652	0.0000
X1	0.245364	0.048876	5.020139	0.0000
X2	0.183029	0.037022	4.943807	0.0000
Z	-0.013064	0.007913	-1.650914	0.1056

Source: EViews 10, 2023

### Model Specification Testing

There are three models in panel data regression estimation: the common effect model, the fixed effect model, and the random effect model. Before determining which model to choose for panel data regression, the Chow test and Hausman test are carried out.

### Chow Test

**Table 5. Chow Test Estimation Results**

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	34.184355	(9,37)	0.0000
Cross-section Chi-square	111.581909	9	0.0000

Source: EViews 10, 2023

The results of the Chow test analysis in the output above show that each Prob value is 0.000 for Cross Section F and Cross Section Chi-square, and the probability value is smaller than 0.05. So, the Fixed Effect Model (Common Effect Model or Fixed Effect Model) is the more appropriate model for panel data regression in this research. Thus, further tests must be carried out to determine which model is most appropriate, namely the Fixed Effect Model or Random Effect Model method, by carrying out the Hausman Test.

### Hausman Test

**Table 6. Hausman Test Estimation Results**

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	3	1.0000
* Cross-section test variance is invalid. Hausman statistic set to zero.			

Source: EViews 10, 2023

Based on Table 6, it is known that the value of Prob. Equal to 1,000, which is greater than 0.05. So, it can be concluded that the more appropriate model to use in the equation model in this research is the Random Effect Model.

### Regression Analysis

**Table 7. Regression Results**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.163655	0.027996	5.845652	0.0000
X1	0.245364	0.048876	5.020139	0.0000
X2	0.183029	0.037022	4.943807	0.0000
Z	-0.013064	0.007913	-1.650914	0.1056
Effects Specification				
		S.D.	Rho	
Cross-section random		0.068675	0.8680	
Idiosyncratic random		0.026786	0.1320	
Weighted Statistics				
R-squared	0.495820	Mean dependent var	0.046271	
Adjusted R-squared	0.462939	S.D. dependent var	0.048310	
S.E. of regression	0.035404	Sum squared resid	0.057658	
F-statistic	15.07910	Durbin-Watson stat	1.696608	
Prob(F-statistic)	0.000001			

Source: EViews 10, 2023

Based on the regression results in Table 7, the following regression equation model is obtained:

$$Y = 0,163655 + 0,245364 X1 + 0,183029 X2 - 0,013064 Z$$

Based on the equation above, it can be interpreted as follows.

1. The constant is 0.163655. It means that if the value of X1, X2, and Z is 0, then the value of Y (tax avoidance) is 0.163655.
2. The regression coefficient for variable X1 is 0.245364. If X1 (transfer pricing) is increased by 1%, the value of Y (tax avoidance) will increase by 0.245364, assuming that the other independent variables are fixed.
3. The regression coefficient for variable X2 is 0.183029. It means that if X2 (sales growth) is increased by 1%, the value of Y (tax avoidance) will increase by 0.183029, assuming that the other independent variables have a fixed value.
4. The regression coefficient for variable Z is -0.013064. It means that if Z (COVID-19 pandemic) is increased by 1%, the value of Y (tax avoidance) will decrease by 0.013064 with the assumption that the other independent variables are fixed.

### Moderated Regression Analysis (MRA) Analysis

The Moderated Regression Analysis (MRA) test determines whether the moderating variable can moderate the relationship between the independent and dependent variables. Based on the model specification test, the panel data regression model in this equation model should use estimation with the Random Effect Model (REM). This equation model had passed the classical assumption test in previous tests, so the estimation results were consistent and unbiased. The estimation results of the panel data regression model are as follows.

Table 8. Moderated Regression Analysis (MRA) Regression Results

Variable	Coefficient t	Std. Error	t-Statistic	Prob.
C	0.045631	0.022157	2.059426	0.0470
X1	0.544539	0.061188	8.899488	0.0000
X2	0.267643	0.054314	4.927677	0.0000
Z	-0.007031	0.010551	-0.666449	0.5095
X1Z	0.056679	0.023622	2.399387	0.0219
X2Z	-0.215405	0.062881	-3.425609	0.0016
Effects Specification				
			S.D.	Rho
Cross-section random			0.043239	0.7695
Idiosyncratic random			0.023666	0.2305
Weighted Statistics				
R-squared	0.931585	Mean dependent var	0.269269	
Adjusted R-squared	0.904219	S.D. dependent var	0.076468	
S.E. of regression	0.023666	Sum squared resid	0.019602	
F-statistic	34.04162	Durbin-Watson stat	1.721912	
Prob(F-statistic)	0.000000			

Source: EViews 10, 2023

Based on the regression results in Table 8, the following regression equation model is obtained:

$$Y = 0.045631 + 0.544539 X1 + 0.267643 X2 - 0.007031 Z + 0.056679 X1Z - 0.215405 X2Z$$

### Significance Testing

#### Partial Test (t).

The partial test (t) is a statistical test used to test whether a hypothesis is accepted or rejected in a study. According to Ghazali (2011:101), "If the value of Prob. < 0.05 means that the independent variable (X) partially influences the dependent variable (Y)." The results of the partial test analysis show how each independent variable influences or not the dependent variable in the equation model as follows:

**Table 9. Model Partial Significance Test Results**

Independent Variable	Dependent variable	Equation Model ( $Y = 0,163655 + 0,245364 X1 + 0,183029 X2 - 0,013064 Z$ )		
		Coefficient	Prob.	Conclusion
X1	Tax Avoidance	0,245364	0.0000	Positive Influence
X2		0,183029	0.0000	Positive Influence
Z		-0,013064	0.1056	No effect

Source: EViews 10, 2023

Based on the partial test results on the panel data with the regression equation model in Table 9, it is known that X1 (transfer pricing) has a positive effect on tax avoidance with a coefficient of 0.235. X2 (sales growth) positively affects tax avoidance with a coefficient of 0.183. Furthermore, Z (COVID-19 pandemic) does not affect tax avoidance.

**Table 10. Results of Partial Significance Test of MRA Model**

Independent Variable	Dependent variable	MRA Equation ( $Y = 0.045631 + 0.544539 X1 + 0.267643 X2 - 0.007031 Z + 0.056679 X1Z - 0.215405 X2Z$ )		
		Coeff	Prob.	Conclusion
X1	Y	0,544539	0.0000	Positive Effect
X2		0,267643	0.0000	Positive Effect
Z		-0,007031	0.5095	No Effect
X1_Z		0,056679	0.0219	Strengthen
X2_Z		-0,215405	0.0016	Weaken

Source: EViews 10, 2023

Based on the partial test results on the MRA equation model in Table 10, it is known that X1 (transfer pricing) has a positive effect on tax avoidance with a coefficient of 0.544. X2 (sales growth) positively affects tax avoidance with a coefficient of 0.267. Z (COVID-19 pandemic) does not affect tax avoidance. The COVID-19 pandemic can strengthen the influence of transfer pricing on tax avoidance as proxied by X1Z with a coefficient of 0.057. Furthermore, the COVID-19 pandemic can weaken the influence of sales growth on tax avoidance as proxied by X2Z with a coefficient of -0.2154.

### Simultaneous Test (F)

Based on statistical testing in Table 7, it is known that the level of tax avoidance in Prob. (F statistic) panel data regression equation is 0.000001, which means it is 0.05 smaller. So, it can be concluded that transfer pricing, sales growth, and the COVID-19 pandemic simultaneously influence tax avoidance.

Based on statistical testing in Table 7, it is known that the level of tax avoidance in Prob. (F statistic) the MRA equation is 0.000000, which means it is 0.05 smaller. So, it can be concluded that there is a simultaneous influence of transfer pricing, sales growth, the Covid-19 pandemic, transfer pricing moderated by the Covid-19 pandemic, and sales growth moderated by the Covid-19 pandemic on tax avoidance.

### Coefficient of Determination (R2)

Testing the coefficient of determination (R2) shows the extent to which all independent variables can explain the dependent variable. The coefficient of determination value is between 0 and 1. The greater the coefficient of determination value, the better the ability of the independent variable to explain the dependent variable.

Based on the test results in Table 7, the Adjusted R-squared value for the panel data regression equation is 0.495820. It means that all independent variables have an influence of 49.582% on the dependent variable, and the remainder is influenced by other variables, namely 50.418%, which were not examined in this research.

Meanwhile, in the MRA equation in Table 8, it is known that the Adjusted R-squared is 0.904219. It means that all independent variables have an influence of 90.4219% on the dependent variable. The remainder is influenced by other variables, namely 9.5781%, which were not examined in this research. It shows that the COVID-19 pandemic can simultaneously strengthen the influence of transfer pricing and sales growth on tax avoidance.



Table 11. Research Results

No.	Research Hypothesis	Coefficient Value	Prob.	Conclusion
1.	H <sub>1</sub> : Transfer pricing positively affects tax avoidance in healthcare sector companies listed on the IDX in 2018-2022.	0,245364	0.0000	H <sub>1</sub> : Accept
2.	H <sub>2</sub> : Sales growth positively affects tax avoidance in healthcare sector companies listed on the IDX in 2018-2022.	0,183029	0.0000	H <sub>2</sub> : Accept
3.	H <sub>3</sub> : The COVID-19 pandemic has strengthened the influence of transfer pricing on tax avoidance in healthcare sector companies listed on the IDX in 2018-2022.	0,056679	0.0219	H <sub>3</sub> : Accept
4.	H <sub>4</sub> : The COVID-19 pandemic can strengthen the influence of sales growth on tax avoidance in healthcare sector companies listed on the IDX in 2018-2022.	-0,215405	0.0016	H <sub>4</sub> : Reject

Source: EViews 10, 2023

## CONCLUSION

This research aims to analyze the influence of transfer pricing and sales growth with the COVID-19 pandemic as a moderating variable in healthcare companies listed on the IDX in 2018-2022. Based on the test results of research data using secondary data, it can be concluded that the results of this research are:

1. Transfer pricing positively and significantly affects tax avoidance in healthcare sector companies listed on the IDX for the 2018-2022 period.
2. Sales growth positively and significantly affects tax avoidance in healthcare sector companies listed on the IDX for the 2018-2022 period.
3. The COVID-19 pandemic can strengthen the positive influence of transfer pricing on tax avoidance in healthcare sector companies listed on the IDX for the 2018-2022 period.
4. The COVID-19 pandemic weakens the positive influence of sales growth on tax avoidance in healthcare sector companies listed on the IDX for the 2018-2022 period.

## LIMITATIONS

This research has limitations in measuring whether the impact of transfer pricing and sales growth on tax avoidance with the Covid-19 pandemic as a moderating variable is temporary or permanent due to the limited time available for healthcare sector companies listed on the IDX for the 2018-2022 period and the number of

samples available only ten companies with a total of 50 observation data.

## SUGGESTION

By paying attention to the previous description, several suggestions can expand the findings in this research, including:

1. For future researchers to be able to expand to a more extended period, research objects and apply in-depth analysis of tax avoidance strategies.
2. For company stakeholders to prevent companies from violating the law regarding tax avoidance activities, stakeholders can request internal transparency in carrying out transfer pricing when the company is experiencing an increase in revenue. Furthermore, this research will provide valuable insights for fund managers and investors in assessing threats related to the COVID-19 pandemic on manager behaviour in designing tax-optimal strategic decisions.
3. For the government, the findings of this research suggest that the government intervene in tax administration mechanisms by increasing enforcement measures that are more focused on limiting corporate tax avoidance, especially regarding transfer pricing transactions, because financial accounting standards in Indonesia do not regulate matters relating to affiliated or unique relationships (related parties) in detail. So, differences in disclosure between companies regarding transfer pricing will cause transfer pricing assessments to be biased.

## Declaration by Authors

**Acknowledgement:** None

**Source of Funding:** None

**Conflict of Interest:** The authors declare no conflict of interest.

## REFERENCES

1. Amidu, M., Coffie, W., & Acquah, P. (2019). Transfer Pricing, Earning Management and Tax Avoidance of Firms in Ghana. *Journal of Financial Crime*, 26(1), 235-259.
2. Arciniega, L., Servitje, A., & Woehr, D. (2021). Impacting the bottom line: Exploring the Effect of a Self-Efficacy Oriented Training Intervention on Unit-Level Sales Growth. *Human Resource Development Quarterly*, 1-18.
3. Athira, A., & Ramesh, V. K. (2023). COVID-19 and Corporate Tax Avoidance: International Evidence. *Internasional Business Review*, 32, 102-143.
4. Barid, F. M., & Wulandari, S. (2021, Desember). Praktik Penghindaran Pajak Sebelum dan Setelah Pandemi Covid – 19 di Indonesia. *JRAP (Jurnal Riset Akuntansi dan Perpajakan)*, 8(2), 217-223.
5. Erlina dan Sri Mulyani, 2017, Metodologi Penelitian Bisnis untuk Akuntansi dan Manajemen, Terbitan Pertama, Penerbit USU Press, Medan.
6. Fitria, G. N., & Bintara, R. (2022, Desember). Penghindaran Pajak: Dampak Profitabilitas, Leverage dan Pertumbuhan Penjualan. *Media Akuntansi Perpajakan*, 7(2), 23-33.
7. Groza, M., Zmich, L., & Rajabi, R. (2021). Organizational Innovativeness and Firm Performance: Does Sales Management Matter? *Industrial Marketing Management*, 97, 10–20.
8. Hardani, Auliya, N. H., Andriani, H., Fardani, R., Ustiawaty, J., Utami, E. F., Istiqomah, R. R. (2020). *Metode Penelitian Kualitatif & Kuantitatif*. Yogyakarta: CV. Pustaka Ilmu.
9. Kim, J., McGuire, S. T., Savoy, S., & Wilson, R. (2019). How Quickly Do Firms Adjust to Optimal Levels of Tax Avoidance. *Contemporary Accounting Research*, 36(3), 1824-1860.
10. Kohtamäkia, M., Heimonena, J., & Parida, V. (2019). The Nonlinear Relationship Between Entrepreneurial Orientation and Sales Growth: The Moderating Effects of Slack Resources and Absorptive Capacity. *Journal of Business Research*, 100, 100–110.
11. Kumar, S., Pandey, N., Lim, W. M., Chatterjee, A. N., & Pandey, N. (2021). What Do We Know about Transfer Pricing? Insight from Bibliometric Analysis. *Journal of Business Research* 134, 257-287.
12. Mahmutaj, L., & Krasniqi, B. (2020). Innovation Types and Sales Growth in Small Firms: Evidence from Kosovo. *South-East European Journal of Economics and Business*, 15(1), 27-43
13. Mardiasmo. (2018). *Perpajakan (Vol. Edisi terbaru 2018)*. (Maya, Ed.) Yogyakarta: Andi
14. Masrulloch, L., Nurlaela, S., & Fajri, R. N. (2021). Pengaruh Profitabilitas, Komisaris Independen, Leverage, Ukuran Perusahaan dan Intensitas Modal terhadap Tax Avoidance. *Inovasi*, 82-93.
15. Mpofu, F. S., Mashiri, E., & Schwartz, S. C. (2021). An Exposition of Transfer Pricing Motivates, Strategies and Their Implementation in Tax Avoidance by MNEs in Developing Countries. *Cogent Business & Management*, 8.
16. Nicola, M., Alsafi, Z., Sohrabi, C., Kerwan, A., Al-Jabir, A., Iosifidis, C., . . . Agha, R. (2020). The Socio-Economic Implications of The Coronavirus Pandemic (COVID-19): A Review. *International Journal of Surgery* 78, 185-193.
17. Panjalusman, P. A., Nugraha, E., & Setiawan, A. (2018, Juli-Desember). Pengaruh Transfer Pricing terhadap Penghindaran Pajak. *Jurnal Pendidikan Akuntansi dan Keuangan*, 6(2), 105-114.
18. Pradana, F. A., & Wulandari, S. (2023). Fenomena Praktik Penghindaran Pajak Saat Pandemi Covid-19 Pada Perusahaan Property Dan Real Estate. *Jurnal Akuntansi dan Keuangan (JAK)*, 11(1), 21-34.
19. Ramdhani, M. D., Fitria, Y. Z., & Rachman, A. A. (2021, March ). The Effect of Transfer Pricing on Tax Avoidance in Manufacturing Companies Listed on LQ-45 Indonesia Stock Exchange 2015-2019. *Turkish Journal of Physiotherapy and Rehabilitation*, 32(3), 9176-9194.
20. Rosad, D. A., Nugraha, E., & Fajri, R. (2020, Januari). Faktor-Faktor yang Mempengaruhi Keputusan Perusahaan untuk Melakukan Transfer Pricing.

- Jurnal Akuntansi Netral, Akuntabel, Objektif, 2(2), 293-305.
21. Safitri, N. (2021, Juni). Sales Growth dan Tax Avoidance dengan Kepemilikan Institusional sebagai Variabel Moderasi. *Jurnal Pespektif Akuntansi*, 4(2), 175-216.
  22. Sanchez-Ballesta, J. P., & Yague, J. (2023). Tax Avoidance and The Cost of Debt for SMEs: Evidence from Spain. *Journal of Contemporary Accounting and Economics*, Vol. 19(2).
  23. Sari, D., Utama, S., Fitriany, & Rahayu, N. (2020). Transfer Pricing Practices and Specific Anti-Avoidance Rules in Asian Developing Countries. *International Journal of Emerging Markets*, 16(3), 492-516.
  24. Sari, M. (2022). Pengaruh Profitabilitas, Leverage, Sales Growth, dan Komite Audit terhadap Tax Avoidance pada Perusahaan Manufaktur Sektor Industri yang terdaftar di Bursa Efek Indonesia tahun 2017-2021. *Jurnal Ilmiah Akuntansi dan Keuangan*, 5(3), 1425-1437.
  25. Sharifa, A., Aloui, C., & Yarovaya, L. (2020). COVID-19 Pandemic, Oil Prices, Stock Market, Geopolitical Risk and Policy Uncertainty Nexus in The US Economy: Fresh Evidence From The Wavelet-based Approach. *International Review of Financial Analysis* 70(101496)
  26. Smolarski, J. M., Wilner, N., & Vega, J. G. (2019). Dynamic Transfer Pricing under Conditions of Uncertainty – The Use of Real Options. *Journal of Accounting & Organizational Change*, 15(4), 535-556.
  27. Sugiyono. (2014). *Metode Penelitian Kuantitatif, Kualitatif dan R&D*. Bandung: Alfabeta.
  28. Suryantari, N. L., & Mimba, N. S. (2022, April). Sales Growth Memoderasi Transfer Pricing, Thin Capitalization, Profitabilitas, dan Bonus Plan Terhadap Tax Avoidance Practice. *E-Jurnal Akuntansi*, 32(4), 831-844.
  29. Toumi, F., Boiraoui, M. A., & Khelif, H. (2022). National Culture and Tax Avoidance: a Quantile Regression Analysis. *Arab Gulf Journal of Scientific Research*, 40(2), 196-211.

How to cite this article: Christo Oktavianus, Erlina, Rujiman. The effect of transfer pricing and sales growth on tax avoidance with the COVID-19 Pandemic as a moderation variable. *International Journal of Research and Review*. 2023; 10(12): 589-599.  
DOI: <https://doi.org/10.52403/ijrr.20231262>

\*\*\*\*\*