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The Effects of Leverage, Foreign Institutional Ownership, and Profitability on Tax Management: Transfer Pricing as A Moderating Variable in Property and Real Estate Companies Listed on The Indonesia Stock Exchange

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Abstract

This study examines the effects of leverage, foreign institutional ownership, and profitability on corporate tax management, with transfer pricing as a moderating variable, among property and real estate companies listed on the Indonesia Stock Exchange. A quantitative explanatory approach was employed using panel data from 20 companies during 2020–2024, generating 100 firm-year observations selected through purposive sampling. Secondary data were obtained from annual financial reports and analyzed using Stata 15. Corporate tax management was measured using the Corporate Tax to Turnover Ratio (CTTOR), while transfer pricing was proxied by related-party trade receivables. The Random Effect Model with firm-clustered robust standard errors was applied. The findings indicate that leverage negatively and significantly affects CTTOR ($\beta = -0.0002815$; $p < 0.001$), whereas foreign institutional ownership ($p = 0.139$) and profitability ($p = 0.061$) exhibit insignificant direct relationships. Transfer pricing significantly moderates the relationships between leverage ($\beta = -0.0682787$; $p < 0.001$) and profitability ($\beta = 4.499993$; $p < 0.001$) and CTTOR, but not foreign institutional ownership ($p = 0.056$). The explanatory variables are jointly significant, although the overall R^2 is 0.0527. These findings highlight the relevance of financing structures and affiliated transactions to corporate tax outcomes without establishing unlawful tax avoidance.

Keywords: *Foreign Institutional Ownership, Leverage, Profitability, Tax Management, Transfer Pricing.*

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INTRODUCTION

Corporate tax management has become an increasingly significant issue in international business as multinational investment, complex financing structures, and related-party transactions continue to influence the distribution of taxable income across jurisdictions. The growing integration of international capital markets has intensified the relationship between corporate financial decisions, ownership arrangements, and tax obligations, particularly in emerging economies where fiscal revenue remains closely connected to corporate compliance and investment activities. International research indicates that multinational profit allocation is influenced by organizational capacity, differences in taxation systems, and opportunities to structure transactions across affiliated entities, creating challenges for governments seeking to protect their tax bases while maintaining competitive investment environments (Bilicka & Scur, 2024; Garcia-Bernardo & Janský, 2024). The effectiveness of anti-tax avoidance regulations also depends on institutional conditions and the ability of tax authorities to identify economically significant transactions, particularly in developing countries characterized by heterogeneous corporate governance structures and administrative capacities (Laudage Teles et al., 2024; Zheng et al., 2024). Corporate tax decisions are increasingly associated with financial transparency, governance arrangements, and technological developments that affect the monitoring of financial transactions and the disclosure of tax-related information (Tang et al., 2025; Zhang & Chan, 2025). Within Indonesia, property and real estate companies represent a relevant setting for examining these relationships because their business activities require substantial capital investment, long-term financing, and coordination among multiple corporate entities. Property

development frequently involves land acquisition, construction financing, project-based revenue recognition, and commercial transactions with affiliated parties, potentially generating variations in financial leverage, profitability, and taxable obligations. The 2020–2024 period provides a particularly relevant observation window because companies operated through the COVID-19 disruption and subsequent economic recovery, circumstances that could influence financing requirements, operational performance, and corporate financial policies. These characteristics establish the analytical significance of examining tax management as a financial outcome shaped by capital structure, institutional ownership, profitability, and related-party transaction exposure rather than treating corporate taxation solely as an administrative compliance issue.

Contemporary research on corporate taxation has developed around several interconnected explanations involving financial constraints, ownership-based monitoring, managerial incentives, and multinational transaction arrangements. Studies addressing financing conditions suggest that corporate access to external capital, investment efficiency, and the allocation of financial resources are closely connected to tax-related decisions, although the nature of these relationships depends on institutional environments and firm-level characteristics (Benkraiem et al., 2024; Benkraiem et al., 2025). Research concerning ownership structures introduces an additional dimension by distinguishing the monitoring incentives of foreign institutional investors, long-term institutional shareholders, concentrated owners, and family-controlled corporations. Foreign institutional ownership is relevant to the governance of corporate taxation because international investors may exercise monitoring functions while simultaneously participating in complex cross-border investment networks (Hasan et al., 2022). Institutional ownership heterogeneity further complicates this relationship, since shareholder activism, investment horizons, and ownership concentration may generate different incentives concerning corporate tax strategies (Athira & Lukose, 2023; Kałdoński & Jewartowski, 2024). Research involving family ownership and alternative governance structures reinforces the proposition that ownership characteristics should not be treated as interchangeable indicators of corporate monitoring effectiveness (Chalevas et al., 2024; Widadi et al., 2022). Within the Indonesian empirical literature, leverage, institutional ownership, profitability, and firm characteristics have been examined as potential determinants of tax avoidance, reflecting continuing interest in the relationship between corporate financial performance and fiscal behavior (Kurniawan & Nurfauziah, 2023; Sarimin & Oktari, 2023). Other studies have extended this analytical framework by considering institutional ownership as a moderating factor and examining whether governance arrangements condition the relationship between financial determinants and tax avoidance (Leksono et al., 2023; Ayem & Rahmawati, 2026). This body of literature demonstrates that corporate taxation cannot be explained adequately through a single financial ratio or ownership characteristic because financing decisions, managerial incentives, governance mechanisms, and institutional constraints operate through potentially overlapping channels. The resulting state of knowledge supports a multidimensional approach that evaluates financial and ownership characteristics simultaneously while accounting for the possibility that their relationships with tax outcomes vary according to corporate transaction structures.

Despite these developments, important conceptual, empirical, and contextual limitations remain in explaining how financial determinants interact with related-party transactions in shaping corporate tax management. A substantial segment of the literature examines corporate tax avoidance through financial performance, ownership concentration, governance quality, or financing conditions, whereas the role of transfer pricing is frequently investigated through international profit allocation, transaction valuation, and multinational investment decisions. Research on transfer pricing emphasizes that internal corporate transactions involve decisions made across organizational units and must be evaluated in relation to commercial objectives, taxation incentives, and the comparability of transaction conditions (Kohlhase & Wielhouwer, 2023; Steens et al., 2022). The relationship between international investment structures and transfer pricing further suggests that affiliated transactions may be relevant to financing and profit allocation decisions, although the existence of such transactions does not independently establish abusive pricing practices (Sandonis & Yermukanova, 2024). Evidence concerning multinational profit shifting in Vietnam highlights the relevance of investigating these mechanisms in developing Asian economies while also demonstrating the importance of jurisdiction-specific corporate characteristics (Le & Zamarian, 2025). Research examining strategic deviation and corporate tax avoidance introduces risk management

considerations, suggesting that firms' financial and organizational characteristics may influence their exposure to tax-related risks (Habib et al., 2024). Studies relating to audit quality, monitoring activities, and corporate governance similarly indicate that the identification and interpretation of tax behavior depend on the reliability of financial disclosures and the effectiveness of external oversight (Lungu et al., 2023; Guo et al., 2023). These research streams provide important explanations of corporate taxation but do not, by their respective research designs alone, establish how leverage, foreign institutional ownership, and profitability jointly relate to a tax-to-turnover measure when related-party receivables are introduced as a moderating variable in Indonesian property and real estate companies. A further conceptual limitation concerns the distinction between tax avoidance and tax management, since a relatively low corporate tax payment compared with revenue may reflect legitimate financing arrangements, profitability differences, tax losses, or accounting timing effects rather than deliberate profit shifting. The research gap consequently concerns the limited integrated, sector-specific evidence on the conditional relationships among financial structure, foreign institutional ownership, profitability, and related-party transaction exposure when corporate tax management is measured through the Corporate Tax to Turnover Ratio (CTTOR).

Addressing this gap has implications for the interpretation of corporate financial reporting, investment monitoring, tax administration, and the development of empirical models of corporate taxation. An incomplete understanding of the relationships between leverage and tax outcomes may encourage an oversimplified interpretation of debt financing as evidence of tax avoidance, even though borrowing decisions also reflect capital requirements, investment strategies, and financing constraints. The distinction is particularly relevant for property and real estate companies whose operational cycles and investment commitments can generate substantial differences between accounting performance, cash flows, and current tax obligations. Research on corporate governance and tax avoidance indicates that the relationship between tax-related decisions and firm value depends on governance mechanisms and the institutional conditions under which managerial decisions are undertaken (Lv et al., 2025). Evidence connecting environmental performance, ownership structures, and corporate tax avoidance also broadens the interpretation of corporate tax behavior beyond immediate financial incentives by introducing questions concerning accountability and stakeholder-oriented corporate policies (Souguir et al., 2024). Indonesian studies examining foreign ownership, executive incentives, transfer pricing, and financial distress further demonstrate the relevance of distinguishing governance, financing, and affiliated transaction characteristics when investigating taxation outcomes (Putri et al., 2024a; Putri et al., 2024b). Research relating transfer pricing, ownership structures, earnings management, profitability, and tax avoidance extends this discussion by identifying the analytical importance of relationships among corporate financial decisions rather than examining their determinants exclusively through isolated effects (Saputra et al., 2026). The possibility that profitability conditions the relationship between transfer pricing and tax avoidance also supports the examination of interaction effects, although the implications depend on the direction of the regression specification and the measurement of the dependent variable (Trimurti & Puspitasari, 2026). Without a more precise understanding of these relationships, investors may overinterpret financial ratios as indicators of aggressive taxation, corporate managers may overlook the significance of related-party disclosure quality, and tax authorities may face difficulties distinguishing ordinary commercial arrangements from transactions requiring further examination. The scientific urgency lies in developing a more differentiated explanation of corporate tax outcomes that accounts for financial and governance heterogeneity, while the practical urgency concerns the appropriate interpretation of disclosed tax and related-party information for corporate oversight and fiscal risk assessment.

The present study is positioned at the intersection of corporate financial management, ownership governance, and related-party transaction research, with a specific emphasis on the moderating role of transfer pricing exposure in Indonesian property and real estate companies. Its proposed contribution differs from studies that examine international profit shifting primarily through multinational organizational arrangements, cross-border transactions, or tax competition because it focuses on financial information disclosed by domestic stock exchange-listed property and real estate issuers. It also extends the analytical orientation of studies emphasizing ownership governance or financial determinants separately by integrating leverage, foreign institutional ownership, and profitability within a common panel regression framework. The central contribution involves

examining whether the relationships between these three explanatory variables and corporate tax management vary according to the proportion of trade receivables attributable to related parties. This approach treats related-party receivables as an observable indicator of affiliated transaction exposure rather than a direct measure of transfer-price manipulation, preserving the conceptual distinction between legitimate commercial transactions and potentially noncompliant pricing arrangements. The use of CTTOR further differentiates the empirical specification from studies centered on conventional measures of tax avoidance, since corporate income tax payable relative to sales represents a particular dimension of the tax burden that is not equivalent to the statutory tax rate or effective tax rate. The research design incorporates a five-year balanced panel covering 20 property and real estate companies listed on the Indonesia Stock Exchange during 2020–2024, producing 100 firm-year observations. This temporal and sectoral concentration permits examination of financial and ownership characteristics across companies exposed to different project cycles, financing requirements, and related-party arrangements during the observation period. The novelty is therefore defined as an integrated sector-specific empirical application combining the CTTOR measure, foreign institutional ownership, leverage, profitability, and three transfer-pricing interaction terms in a single analytical framework. This contribution should be understood as a specific extension of existing empirical approaches rather than a claim that the underlying variables, theories, or moderation techniques have never been investigated. Its principal value lies in evaluating their combined relevance within a distinct industrial population and measurement structure, thereby addressing a contextual and specification-related gap identified in the existing literature.

This study aims to examine the effects of leverage, foreign institutional ownership, and profitability on corporate tax management among property and real estate companies listed on the Indonesia Stock Exchange during 2020–2024, with particular attention to the moderating role of transfer pricing exposure. The investigation specifically evaluates the individual relationships between leverage, foreign institutional ownership, and profitability and the Corporate Tax to Turnover Ratio, while also assessing the joint explanatory significance of these financial and ownership characteristics. Three interaction relationships are investigated to determine whether related-party trade receivables moderate the associations between leverage and tax management, foreign institutional ownership and tax management, and profitability and tax management. The study applies a quantitative explanatory approach using secondary financial information from corporate annual reports, comprising 20 listed companies observed across five consecutive years and generating 100 firm-year observations. Panel regression analysis is employed to evaluate the specified relationships while accounting for differences across corporate observations and the longitudinal structure of the dataset. The study is intended to contribute to corporate taxation literature by providing sector-specific evidence concerning the relationship between financial structure, institutional ownership, operating performance, and affiliated transaction exposure. Its methodological contribution is the application of a tax-to-turnover indicator alongside interaction-based panel estimation, allowing the conditional relationships among the selected variables to be examined without equating related-party transaction exposure with unlawful transfer pricing. The practical contribution concerns the interpretation of corporate financial disclosures by managers, institutional investors, and tax administrators, particularly when evaluating the relationship between financing decisions, ownership arrangements, and reported tax obligations. The investigation ultimately seeks to develop a more precise empirical understanding of corporate tax management in the Indonesian property and real estate industry while maintaining a clear distinction between statistical associations, accounting-based tax indicators, and conclusions concerning actual tax compliance.

RESEARCH METHODS

This study employed a quantitative explanatory research design using panel data to examine the effects of leverage, foreign institutional ownership, and profitability on corporate tax management, with transfer pricing as a moderating variable. The research population comprised 92 property and real estate companies listed on the Indonesia Stock Exchange (IDX) during 2020–2024. Purposive sampling was applied based on the availability of consecutive annual financial reports and the financial information required to measure the research variables. Of the 92 companies, 45 published consecutive financial reports during the observation period, while 20 met the complete data requirements for assets, foreign institutional shareholdings, and related-party trade receivables. The

final sample consisted of 20 companies observed over five consecutive years, generating 100 firm-year observations.

Table 1. Population and Research Sample

No.	Sample selection criterion	Companies
1	Property and real estate issuers listed on the IDX in 2020–2024	92
2	Issuers submitting consecutive financial reports for 2020–2024	45
3	Issuers with the required asset, foreign institutional ownership, and related-party receivable disclosures	20
	Final sample: 20 companies × 5 years	100 firm-year observations

Secondary data were collected through documentation of published annual reports and corporate financial disclosures obtained from the Indonesia Stock Exchange. Corporate tax management, the dependent variable, was measured using the Corporate Tax to Turnover Ratio (CTTOR), calculated as corporate income tax payable divided by total sales. Leverage was operationalized through the Debt to Asset Ratio (DAR), calculated by dividing total debt by total assets. Foreign institutional ownership was measured as the proportion of outstanding shares held by foreign institutional investors, while profitability was represented by Return on Assets (ROA), calculated as net income after tax divided by total assets. Transfer pricing, the moderating variable, was proxied by the ratio of related-party trade receivables to total trade receivables.

Table 2. Operational Definitions and Measurement of Variables

Code	Variable	Indicator	Formula or operational measure
MP	Tax management	CTTOR	Corporate income tax payable / Sales
LV	Leverage	Debt to Asset Ratio (DAR)	Total debt / Total assets
IA	Foreign institutional ownership	Foreign institutional shareholding	Shares held by foreign institutions / Total outstanding shares
PF	Profitability	Return on Assets (ROA)	Net income after tax / Total assets
TP	Transfer pricing proxy	Related-party trade receivables (RPT)	Related-party trade receivables / Total trade receivables (×100% as defined in the source)

This indicator represented exposure to affiliated transactions rather than direct evidence of transfer-price manipulation or noncompliance with the arm's-length principle. The operational definitions were applied to the available annual financial information to establish consistent measurements across companies and observation years.

Data processing and statistical analysis were conducted using Stata version 15. The analytical procedures consisted of descriptive statistical analysis, correlation analysis, panel regression model selection, direct-effect estimation, moderation analysis, and simultaneous significance testing. Descriptive statistics were used to characterize the distribution of the research variables, while the

correlation matrix examined their pairwise linear associations. Three panel regression specifications were considered: the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). Model selection involved the Chow test to compare pooled and fixed effects, the Hausman test to evaluate fixed and random effects, and the Lagrange multiplier test to compare pooled and random effects. The selected panel specification was estimated using firm-clustered robust standard errors to reduce sensitivity to heteroskedasticity and within-company error correlation. Two regression equations were specified. The direct-effects model was expressed as $MP_{it} = \beta_0 + \beta_1 LV_{it} + \beta_2 IA_{it} + \beta_3 PF_{it} + \varepsilon_{it}$, while the moderation model was expressed as $MP_{it} = \beta_0 + \beta_1 LV_{it} + \beta_2 IA_{it} + \beta_3 PF_{it} + \beta_4 (LV \times TP)_{it} + \beta_5 (IA \times TP)_{it} + \beta_6 (PF \times TP)_{it} + \varepsilon_{it}$. In these equations, MP denotes corporate tax management measured by CTTOR, LV represents leverage, IA indicates foreign institutional ownership, PF denotes profitability, TP represents the related-party receivables proxy for transfer pricing, β_0 is the intercept, β_1–β_6 are regression coefficients, i identifies the company, t represents the observation year, and ε denotes the error term. The moderation specification retained the interaction structure documented in the original research design without introducing a separate main-effect coefficient for transfer pricing. Statistical hypotheses were evaluated at a 5% significance level using the estimated coefficients, corresponding test statistics, and probability values. The simultaneous significance test assessed the collective explanatory relevance of the independent variables, while the coefficient of determination was used to evaluate model explanatory capacity. Measurement consistency was maintained through the application of uniform financial ratios to the sampled annual reports, and statistical inference was based on the selected panel estimator and firm-clustered robust standard errors. The analysis was restricted to associations supported by the observed financial disclosures and did not treat the estimated relationships as causal evidence or as direct indicators of unlawful tax avoidance.

RESULTS AND DISCUSSION

Descriptive Statistics, Correlations, and Model Selection

The empirical investigation involved 20 property and real estate companies listed on the Indonesia Stock Exchange during 2020–2024, producing 100 firm-year observations from a balanced panel dataset. The analysis examined corporate tax management through the Corporate Tax to Turnover Ratio (CTTOR), with leverage, foreign institutional ownership, profitability, and related-party trade receivables representing the principal explanatory and moderating characteristics. The selection of these variables reflects the interdependence between corporate financing arrangements, shareholder monitoring, financial performance, and taxation decisions identified in contemporary corporate finance literature (Benkraiem et al., 2025; Hasan et al., 2022). The descriptive assessment provides an empirical foundation for evaluating differences in corporate financial characteristics before examining their statistical relationships through panel regression.

Corporate tax management exhibited considerable variation across the observed companies, indicating that tax obligations relative to turnover were not uniformly distributed throughout the property and real estate industry. Differences in corporate tax ratios may arise from variations in operating profitability, financing expenses, project completion schedules, and the recognition of taxable income rather than exclusively from deliberate tax-minimization strategies. Research concerning corporate tax avoidance and investment efficiency emphasizes that reported tax outcomes should be interpreted alongside financial constraints and organizational characteristics because accounting measures do not independently identify managerial tax intentions (Benkraiem et al., 2024; Habib et al., 2024). These considerations are particularly relevant to property developers, whose revenue recognition and investment cycles may produce substantial differences between accounting earnings and current tax obligations.

The descriptive statistics reveal substantial heterogeneity in the distribution of leverage, foreign institutional ownership, profitability, and related-party transaction exposure. Leverage was measured using the Debt to Asset Ratio (DAR), while profitability was represented by Return on Assets (ROA), allowing the analysis to distinguish financing intensity from operating performance. Institutional ownership literature indicates that differences in shareholder composition and investment horizons may correspond to variations in corporate governance practices, although ownership percentages alone cannot establish the effectiveness of investor monitoring (Athira & Lukose, 2023; Kałdoński &

Jewartowski, 2024). Table 3 presents the descriptive characteristics of the five research variables based on the reported financial observations.

Table 3. Descriptive Statistics of Research Variables

Statistic	MP (CTTOR)	LV (DAR)	IA	PF (ROA)	TP (RPT)
Mean	0.0303104	0.7159036	0.4456504	0.0146323	0.0132631
Maximum	0.3488873	28.88452	5.162626	0.5240959	0.6539971
Minimum	0.0000442	0.029539	0.0001342	−0.1858118	0.0000
Standard deviation	0.0688114	2.851524	0.8120302	0.0757645	0.0662573

Source: Secondary financial data processed using Stata 15 (2020–2024).

Table 3 indicates that the average CTTOR was 0.0303104, representing corporate income tax payable equivalent to approximately 3.03% of reported sales, rather than an effective income tax rate calculated against taxable or accounting profit. The mean leverage ratio of 0.7159036 suggests considerable reliance on debt financing, although its standard deviation of 2.851524 and maximum value of 28.88452 indicate an unusually dispersed distribution requiring careful evaluation. Foreign institutional ownership averaged 0.4456504, but its reported maximum of 5.162626 exceeds the conventional upper boundary of a fractional shareholding measure, suggesting a possible measurement or data-processing inconsistency that cannot be resolved without the underlying observations. Research examining ownership structures and tax avoidance reinforces the importance of distinguishing genuine ownership heterogeneity from measurement irregularities when interpreting corporate monitoring relationships (Chalevas et al., 2024; Widadi et al., 2022).

Profitability displayed an average ROA of 0.0146323, indicating relatively modest earnings compared with total assets, while the negative minimum of −0.1858118 confirms the presence of loss-making firm-year observations. The related-party receivables indicator averaged 0.0132631 and reached a maximum of 0.6539971, demonstrating that the reported exposure to affiliated receivables varied considerably across the sample. Research on multinational profit allocation and transfer pricing indicates that affiliated transactions can reflect organizational integration and commercially legitimate arrangements, making transaction exposure conceptually distinct from evidence of non-arm's-length pricing (Garcia-Bernardo & Janský, 2024; Kohlhase & Wielhouwer, 2023). The correlation analysis was consequently used to examine preliminary statistical associations without assuming that differences in financial ratios represented intentional tax avoidance.

Table 4. Correlation Matrix of Research Variables

Variable	MP	LV	IA	PF	TP
MP	1.0000				
LV	−0.0350	1.0000			
IA	−0.0649	−0.0676	1.0000		
PF	−0.1743	−0.0245	−0.1631	1.0000	
TP	−0.0534	−0.0117	−0.0687	−0.0507	1.0000

Source: Secondary financial data processed using Stata 15 (2020–2024).

The correlation matrix presented in Table 4 shows negative associations between tax management and leverage (−0.0350), foreign institutional ownership (−0.0649), profitability (−0.1743), and the transfer-pricing proxy (−0.0534). Profitability exhibited the largest absolute correlation with CTTOR among the explanatory variables, although its magnitude remained relatively weak and cannot establish a statistically significant or causal relationship. Earlier empirical research has examined the association of leverage, institutional ownership, and profitability with tax avoidance, emphasizing the relevance of financial characteristics while also indicating the need to account for differences in corporate governance and operating conditions (Kurniawan & Nurfauziah, 2023; Sarimin & Oktari, 2023). The weak correlations among the explanatory variables provide no

immediate indication of severe pairwise linear dependence, although this observation does not replace a formal multicollinearity assessment involving the interaction terms.

The limited magnitude of the bivariate associations suggests that the selected explanatory variables may relate to corporate tax outcomes through more complex mechanisms than those represented by simple linear correlations. Financing decisions can influence deductible expenses, institutional investors may affect oversight arrangements, and profitability can alter the relationship between accounting performance and tax liabilities, making these characteristics potentially relevant even when their unconditional correlations are small. Literature examining corporate monitoring and ownership-based moderation supports evaluating these relationships within multivariable models rather than inferring their economic relevance exclusively from pairwise associations (Guo et al., 2023; Leksono et al., 2023). The panel structure permits the estimation of these relationships across companies and reporting periods, although the validity of the resulting coefficients remains dependent on the assumptions underlying the selected estimator.

Table 5. Panel Regression Model Selection Tests

Statistical test	Reported p-value	Model selection decision
Chow test	0.0000	Fixed effects preferred to pooled effects
Hausman test	0.9996	Random effects preferred to fixed effects
Lagrange multiplier test	0.0000	Random effects preferred to pooled effects

Source: Panel regression output processed using Stata 15.

The model selection results in Table 5 indicate that the Chow test rejected the pooled specification in favor of fixed effects, whereas the Hausman test did not reject the assumptions supporting random-effects estimation under the reported selection procedure. The Lagrange multiplier test also favored random effects over the pooled model, providing the statistical basis for adopting the Random Effect Model (REM) as the principal estimator. The study subsequently employed firm-clustered robust standard errors to accommodate potential heteroskedasticity and within-company residual dependence, although inference based on only 20 company clusters requires caution. Contemporary research examining ownership heterogeneity and corporate tax decisions underscores the importance of accounting for firm-level differences when evaluating relationships between governance characteristics and taxation outcomes (Hasan et al., 2022; Kałdoński & Jewartowski, 2024).

The selection of the random-effects specification establishes the analytical framework for examining the direct relationships between leverage, foreign institutional ownership, profitability, and corporate tax management, followed by the proposed transfer-pricing interaction effects. The descriptive distribution reveals substantial heterogeneity and several extreme observations, particularly in leverage and institutional ownership, which may affect coefficient stability and the interpretation of estimated relationships. Research concerning financial constraints and corporate tax avoidance demonstrates the importance of distinguishing statistical associations from their underlying economic mechanisms, especially when financial indicators are influenced by organizational characteristics and investment conditions (Benkraiem et al., 2025; Benkraiem et al., 2024). The subsequent regression analysis therefore evaluates the magnitude, direction, and statistical significance of the specified relationships while recognizing the limitations associated with financial-ratio measurement, unusual observations, and the assumptions of random-effects estimation.

Direct Effects of Leverage, Foreign Institutional Ownership, and Profitability on Tax Management

The direct-effects regression examined whether leverage, foreign institutional ownership, and profitability were statistically associated with corporate tax management among property and real estate companies listed on the Indonesia Stock Exchange during 2020–2024. Corporate tax management was measured using the Corporate Tax to Turnover Ratio (CTTOR), while leverage, institutional ownership, and profitability were operationalized through the Debt to Asset Ratio (DAR), foreign institutional shareholding, and Return on Assets (ROA), respectively. The Random Effect Model (REM), estimated with firm-clustered robust standard errors, was employed to evaluate the

direction and statistical significance of these relationships across 100 firm-year observations. Previous research has established the relevance of corporate financing arrangements, institutional monitoring, and financial performance to taxation decisions, although their implications vary according to organizational characteristics and financial constraints (Benkraiem et al., 2024; Hasan et al., 2022).

The relationship between leverage and corporate taxation is theoretically associated with the treatment of debt financing costs and their implications for taxable income. Interest expenses may reduce taxable profits when their deductibility satisfies applicable fiscal requirements, creating potential differences between companies relying heavily on external borrowing and those primarily financed through equity. Studies addressing financing accessibility and corporate tax avoidance emphasize that the relationship between borrowing capacity and taxation is influenced by corporate investment decisions, financial constraints, and the organizational allocation of financial resources (Benkraiem et al., 2025; Kurniawan & Nurfauziah, 2023). Property and real estate companies provide a relevant empirical setting because long development cycles, substantial initial investment requirements, and project-based financing may create considerable variation in leverage and reported tax obligations.

The regression estimates indicate that the explanatory variables exhibited different directions and levels of statistical significance in relation to CTTOR. Leverage produced a negative and statistically significant coefficient, whereas foreign institutional ownership and profitability also exhibited negative coefficients but did not satisfy the conventional 5% significance criterion. These differences indicate that financial and ownership characteristics cannot be assumed to exert equivalent relationships with corporate tax outcomes, consistent with research identifying heterogeneity in the taxation implications of financing decisions and institutional governance (Sarimin & Oktari, 2023; Athira & Lukose, 2023). The detailed regression estimates, including robust standard errors, test statistics, probability values, and hypothesis decisions, are presented in Table 6.

Table 6. Panel Regression Results without Moderation

Variable	Coefficient	Robust S.E.	t-statistic	p-value	Hypothesis
Constant	0.0356554	0.0148216	2.41	0.016	—
Leverage (LV)	−0.0002815	0.0000633	−4.45	0.000	H1 supported
Foreign institutional ownership (IA)	−0.0050575	0.0034192	−1.48	0.139	H2 not supported
Profitability (PF)	−0.1974803	0.1055860	−1.87	0.061	H3 not supported

Source: Secondary financial data processed using Stata 15.

The leverage coefficient of −0.0002815, accompanied by a t-statistic of −4.45 and a reported p-value of 0.000, indicates a negative association between DAR and CTTOR that is statistically significant at the 5% level. An increase in leverage is associated with a reduction in corporate income tax payable relative to sales, holding foreign institutional ownership and profitability constant within the estimated specification. This relationship is compatible with the potential tax-shield effects of debt financing, although the regression does not separately measure deductible interest expenses or establish whether companies deliberately increased borrowing to reduce taxation. Research examining corporate financial constraints and taxation decisions supports interpreting leverage as a financing characteristic with potential fiscal implications rather than treating debt accumulation as direct evidence of aggressive tax avoidance (Benkraiem et al., 2025; Ayem & Rahmawati, 2026).

The economic interpretation of the leverage coefficient requires particular attention to the capital-intensive characteristics of property development and the measurement of corporate tax management. Companies undertaking land acquisition, infrastructure construction, and long-term property development may accumulate substantial liabilities before generating corresponding sales revenue, creating differences between borrowing intensity, accounting performance, and tax obligations. Research on multinational financing arrangements and tax-related financial decisions demonstrates that capital allocation and corporate funding structures can interact with tax incentives, although the magnitude of these relationships depends on institutional and organizational conditions

(Bilicka & Scur, 2024; Laudage Teles et al., 2024). The estimated negative association is consequently consistent with a financing-related tax mechanism, but it cannot distinguish deductible borrowing costs from other explanations involving project timing, operating margins, or differences in taxable income.

Foreign institutional ownership produced a regression coefficient of −0.0050575, with a t-statistic of −1.48 and a p-value of 0.139, indicating that its direct relationship with CTTOR was not statistically significant at the 5% threshold. The negative coefficient suggests a possible inverse relationship between foreign institutional shareholding and the tax-to-turnover ratio, but the available statistical evidence does not support a reliable directional conclusion for the sampled companies. Research concerning institutional ownership indicates that foreign shareholders may influence corporate governance through monitoring activities, information demands, and investment oversight, although such mechanisms depend on shareholder incentives and the effectiveness of corporate control arrangements (Hasan et al., 2022; Kałdoński & Jewartowski, 2024). The insignificant coefficient suggests that differences in foreign institutional shareholding were insufficient to explain CTTOR variation with conventional statistical confidence after accounting for leverage and profitability in the estimated model.

The absence of a statistically significant foreign ownership effect may reflect differences between formal shareholding proportions and the actual governance influence exercised by institutional investors. Foreign institutions may prioritize investment returns, operational performance, risk diversification, or long-term shareholder value without directly participating in corporate tax planning decisions. Studies examining common institutional ownership, family ownership, and monitoring arrangements indicate that ownership composition can generate distinct governance incentives, making the relationship between shareholder identity and corporate taxation theoretically conditional rather than uniform (Athira & Lukose, 2023; Chalevas et al., 2024; Souguir et al., 2024). The present ownership indicator captures the proportion of shares held by foreign institutions but does not identify voting arrangements, board representation, shareholder activism, or direct participation in tax-related managerial decisions.

Profitability exhibited a coefficient of −0.1974803, with a t-statistic of −1.87 and a p-value of 0.061, placing its estimated association with CTTOR outside the 5% statistical significance threshold. The negative coefficient indicates that higher ROA was associated with a lower tax-to-turnover ratio in the fitted model, although the available evidence was insufficient to support the hypothesized direct relationship at the specified significance level. Profitability may influence corporate taxation through differences in taxable income, fiscal adjustments, loss compensation, and the timing of revenue and expense recognition, while tax planning itself may affect reported after-tax earnings. Research examining profitability, institutional ownership, and tax avoidance illustrates the complexity of these relationships and supports distinguishing observed financial associations from causal interpretations of corporate tax strategy (Sarimin & Oktari, 2023; Leksono et al., 2023; Trimurti & Puspitasari, 2026).

The different statistical outcomes for leverage, foreign institutional ownership, and profitability indicate that financing structure displayed the clearest detectable direct association with CTTOR in the sampled property and real estate companies. The nonsignificant estimates for foreign institutional ownership and profitability do not establish that these characteristics are economically irrelevant, particularly because the model relies on a limited sample, contains unusually dispersed financial ratios, and excludes several potentially relevant corporate characteristics. Research examining tax avoidance, corporate governance, strategic risk, and investment outcomes indicates that taxation decisions may depend on interactions among managerial incentives, financing conditions, institutional monitoring, and organizational characteristics rather than isolated financial indicators (Guo et al., 2023; Habib et al., 2024; Lv et al., 2025). These findings support the examination of transfer pricing exposure as a moderating characteristic in the subsequent regression specification while maintaining the distinction between observed accounting associations, corporate tax management, and potentially unlawful tax avoidance.

Moderating Role of Transfer Pricing and Simultaneous Effects on Corporate Tax Management

The moderating role of transfer pricing was examined to determine whether related-party transaction exposure altered the relationships between leverage, foreign institutional ownership,

profitability, and corporate tax management. The analysis employed a Random Effect Model (REM) incorporating three interaction terms, namely leverage multiplied by transfer pricing (LV × TP), foreign institutional ownership multiplied by transfer pricing (IA × TP), and profitability multiplied by transfer pricing (PF × TP). Transfer pricing was represented by the proportion of related-party trade receivables to total trade receivables, reflecting the extent of affiliated transaction exposure rather than direct evidence of non-arm's-length pricing. Research concerning multinational corporate transactions indicates that internal pricing arrangements can influence financial resource allocation and taxable income distribution, although their economic implications depend on organizational structures and transaction characteristics (Kohlhase & Wielhouwer, 2023; Steens et al., 2022).

The interaction between financing structure and affiliated transactions is particularly relevant because corporate groups may employ external borrowing, intercompany financing, and related-party commercial arrangements within interconnected financial strategies. Debt financing can influence taxable income through interest expenses, while affiliated transactions may affect the distribution and recognition of revenues, receivables, and expenses among related entities. Research examining multinational profit shifting and international investment arrangements demonstrates that financial structures and internal transactions may operate through complementary or alternative channels, depending on corporate organization and taxation incentives (Garcia-Bernardo & Janský, 2024; Sandonis & Yermukanova, 2024). The interaction specification consequently evaluates whether the association between leverage and CTTOR varies with related-party receivables exposure without presuming that either financing decisions or affiliated transactions constitute aggressive tax avoidance.

The moderated regression estimates indicate differences in the statistical significance and direction of the three interaction relationships. The leverage–transfer pricing interaction produced a negative and statistically significant coefficient, whereas the profitability–transfer pricing interaction exhibited a positive and statistically significant coefficient. The foreign institutional ownership–transfer pricing interaction was negative but did not satisfy the conventional 5% significance criterion, indicating insufficient evidence of the hypothesized moderating relationship. Studies examining foreign ownership, transfer pricing, and corporate taxation emphasize that affiliated transaction arrangements can interact with governance and financial characteristics, although their implications differ across organizational settings and industries (Putri et al., 2024a; Putri et al., 2024b). Table 7 presents the original moderation estimates and associated hypothesis decisions.

Table 7. Moderated Panel Regression Results

Variable	Coefficient	Robust S.E.	t-statistic	p-value	Hypothesis
Constant	0.0364990	0.0148722	2.54	0.005	—
LV × TP	−0.0682787	0.0159450	−4.28	0.000	H4 supported
IA × TP	−0.4039471	0.2116022	−1.91	0.056	H5 not supported
PF × TP	4.4999930	0.9991582	4.50	0.000	H6 supported

Source: Secondary financial data processed using Stata 15.

The leverage–transfer pricing interaction exhibited a coefficient of −0.0682787, with a t-statistic of −4.28 and a reported p-value of 0.000, supporting the fourth research hypothesis at the 5% significance level. The negative interaction coefficient indicates that greater related-party receivables exposure is associated with a more negative conditional relationship between leverage and CTTOR under the specified regression equation. This finding is compatible with the possibility that financing structures and affiliated commercial transactions are jointly associated with corporate tax outcomes, although the estimated coefficient does not independently establish tax-motivated borrowing or profit shifting. Research addressing financing decisions and multinational taxation identifies potential relationships between debt arrangements, internal transactions, and fiscal incentives, supporting the economic relevance of examining these mechanisms jointly (Benkraiem et al., 2025; Bilicka & Scur, 2024).

The interpretation of the leverage interaction requires distinguishing a statistically significant conditional association from the assertion that transfer pricing substitutes for debt-related tax planning. A negative interaction coefficient does not establish economic substitution because the

reported specification does not directly observe changes in financing strategies, deductible interest expenses, or transaction-level price deviations. The ratio of related-party trade receivables may capture ordinary affiliated sales, payment arrangements, or organizational integration rather than deliberate manipulation of taxable profits. Research on transfer pricing comparability and profit-shifting regulations demonstrates that assessing potentially tax-motivated transactions requires consideration of commercial circumstances, transaction characteristics, and applicable regulatory standards (Laudage Teles et al., 2024; Le & Zamarian, 2025). The estimated relationship is consequently interpreted as evidence that the association between leverage and CTTOR varies with the observed affiliated receivables measure, subject to the limitations of the reported interaction specification.

The foreign institutional ownership–transfer pricing interaction generated a coefficient of −0.4039471, accompanied by a t-statistic of −1.91 and a p-value of 0.056, which exceeded the specified 5% significance threshold. This result indicates that the study did not establish statistically significant moderation of the relationship between foreign institutional ownership and CTTOR, although the estimated coefficient was negative and its probability value was relatively close to the decision threshold. Differences in institutional monitoring objectives, shareholder influence, and participation in corporate financial decisions may contribute to variation in ownership-related taxation relationships, but the available regression does not identify these mechanisms directly. Research concerning foreign institutional ownership, shareholder activism, and concentrated ownership indicates that governance effects depend on investor characteristics and monitoring incentives rather than ownership proportions alone (Hasan et al., 2022; Athira & Lukose, 2023; Kałdoński & Jewartowski, 2024). The fifth hypothesis was consequently not supported under the specified significance criterion, without implying that foreign institutional investors are unrelated to corporate tax governance in other organizational settings.

The profitability–transfer pricing interaction produced a positive coefficient of 4.499993, with a t-statistic of 4.50 and a reported p-value of 0.000, indicating statistically significant moderation at the 5% level. The positive coefficient suggests that the conditional association between ROA and CTTOR becomes more positive as the related-party receivables indicator increases, although its economic magnitude must be interpreted relative to the measurement scale of the interacting variables. The result provides support for the sixth hypothesis but does not establish that profitable firms necessarily engage in more intensive tax avoidance or that their affiliated transactions involve noncompliant pricing. Research examining profitability, related-party transactions, and tax avoidance emphasizes that operating performance and corporate transaction structures may interact in shaping taxation outcomes, while the observed relationships remain sensitive to financial measurement and model specification (Saputra et al., 2026; Trimurti & Puspitasari, 2026).

The simultaneous significance test was employed to evaluate the collective explanatory relevance of the independent variables in the corporate tax management model. The reported results indicate statistical significance at the 5% level, suggesting that the explanatory variables were jointly associated with CTTOR despite the absence of statistically significant individual effects for foreign institutional ownership and profitability in the direct-effects specification. Research examining corporate governance, tax avoidance, and firm value supports considering the combined influence of financial and organizational characteristics rather than assuming that each determinant must independently exhibit a statistically significant association (Lv et al., 2025; Chalevas et al., 2024). Table 8 reports the simultaneous test and model explanatory capacity, including the discrepancy between the Wald statistics presented in the original results table and accompanying narrative.

Table 8. Joint Significance Test and Model Fit

Diagnostic	Reported value	Interpretation
Wald χ^2	456.33 (results table); 23.90 (narrative)	Exact statistic requires confirmation
Model p-value	0.0000	Statistically significant at $\alpha = 0.05$
Overall R^2	0.0527	Explains approximately 5.27% of variation in CTTOR

Source: Panel regression output processed using Stata 15.

Table 8 indicates that the reported simultaneous test was statistically significant, although the inconsistency between the Wald χ^2 values of 456.33 and 23.90 prevents a definitive interpretation of the exact test statistic without verification against the original statistical output. The overall coefficient of determination of 0.0527 indicates that the model accounted for approximately 5.27% of the variation in CTTOR under the reported measure, suggesting limited explanatory capacity despite the statistical significance of particular coefficients and interaction terms. The remaining variation may reflect factors not incorporated into the estimated specification, including differences in corporate size, liquidity, capital intensity, project development cycles, and governance arrangements, although their individual contributions were not tested in the available model. Research concerning strategic financial decisions, audit quality, institutional monitoring, and corporate tax avoidance demonstrates that taxation outcomes may involve multiple organizational and financial mechanisms that are not fully represented by a restricted set of explanatory variables (Habib et al., 2024; Lungu et al., 2023; Guo et al., 2023). The findings therefore support a conditional relationship between related-party receivables exposure and selected corporate financial characteristics while retaining important limitations concerning measurement precision, unexplained variation, and the identification of underlying economic mechanisms.

CONCLUSION

This study examined the effects of leverage, foreign institutional ownership, and profitability on corporate tax management, with transfer pricing as a moderating variable, using 100 firm-year observations from 20 property and real estate companies listed on the Indonesia Stock Exchange during 2020–2024. The random-effects panel regression results demonstrated that leverage had a negative and statistically significant association with the Corporate Tax to Turnover Ratio (CTTOR) ($\beta = -0.0002815$; $p < 0.001$), supporting the first hypothesis. Foreign institutional ownership exhibited a negative but statistically insignificant relationship ($\beta = -0.0050575$; $p = 0.139$), while profitability also showed a negative association that did not reach the 5% significance threshold ($\beta = -0.1974803$; $p = 0.061$). These findings indicate that financing structure was more consistently associated with corporate tax outcomes than foreign institutional shareholding or profitability within the observed sample. The negative relationship between leverage and CTTOR is compatible with potential debt-related tax benefits, although the available evidence does not establish a causal effect or demonstrate intentional tax avoidance.

The moderation analysis identified a statistically significant negative interaction between leverage and transfer pricing ($\beta = -0.0682787$; $p < 0.001$), indicating that related-party receivables exposure was associated with changes in the relationship between leverage and CTTOR. The interaction between profitability and transfer pricing was positive and statistically significant ($\beta = 4.499993$; $p < 0.001$), suggesting that the conditional association between profitability and corporate tax management varied with affiliated transaction exposure. Foreign institutional ownership did not exhibit statistically significant moderation through transfer pricing ($\beta = -0.4039471$; $p = 0.056$). The simultaneous significance test supported the collective statistical relevance of the explanatory variables, although the reported overall R^2 of 0.0527 indicated that the model explained approximately 5.27% of the observed variation in CTTOR. These results establish the relevance of selected interaction relationships without demonstrating that related-party transactions constitute noncompliant transfer pricing or deliberate profit shifting.

The study contributes sector-specific empirical evidence concerning the relationships among corporate financing, institutional ownership, profitability, and affiliated transaction exposure in Indonesian property and real estate companies. Its principal contribution lies in integrating these determinants within a panel regression framework using CTTOR as an accounting-based indicator of corporate tax management and related-party trade receivables as a proxy for transfer pricing exposure. The findings suggest that corporate managers should evaluate financing arrangements alongside related-party transaction documentation, while institutional investors should interpret tax indicators together with financial performance and governance disclosures. Tax authorities may consider leverage and affiliated transaction information as preliminary indicators for further examination rather than conclusive evidence of tax avoidance. The relatively low explanatory capacity, unusual values in certain financial ratios, and limitations of the transfer-pricing proxy restrict the generalizability and

economic interpretation of the findings. Further research should examine larger samples, alternative tax-management indicators, transaction-level transfer pricing information, and additional corporate characteristics to assess the robustness of the relationships identified in this study.

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