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Transfer Pricing, Thin Capitalization, and Intangible Assets' Impact on Tax Avoidance: Evidence from Indonesian Manufacturing Firms (2022-2024)

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Abstract *This study examines the effect of transfer pricing, thin capitalization, and intangible assets on tax avoidance among manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2022-2024. Using a purposive sampling method, 90 firms were selected, yielding 262 firm-year observations after removing 8 outliers from an initial pool of 270. Tax avoidance is proxied by the Cash Effective Tax Rate (CETR); transfer pricing by the Related Party Transaction ratio (RPT); thin capitalization by the Debt-to-Equity Ratio (DER); and intangible assets by the ratio of intangible assets to total assets. The results indicate that transfer pricing has a significant negative effect on tax avoidance, thin capitalization has a significant negative effect on tax avoidance, and intangible assets do not significantly affect tax avoidance. The model is jointly significant ($F = 25.422$; $p < .001$) with an Adjusted R^2 of 21.92%, indicating that 21.92% of the variation in tax avoidance is explained by the three independent variables. These findings carry important implications for tax authorities seeking to strengthen oversight of related-party transactions and the capital structures of multinational enterprises.*

Keywords: *Intangible Assets;Manufacturing Firms;Tax Avoidance; Thin Capitalization; Transfer Pricing.*

1. INTRODUCTION

Tax avoidance represents one of the most critical structural challenges facing global tax systems today. Unlike tax evasion, which is illegal, tax avoidance exploits legal loopholes while still causing substantial harm to government revenues. The Tax Justice Network (2023) estimated that global tax revenue losses attributable to corporate tax avoidance reach USD 311 billion per year a figure equivalent to nearly twice Indonesia's national education budget. This phenomenon has intensified as we enter 2026, with the implementation of the OECD Pillar Two Global Anti-Base Erosion (GloBE) rules, which establishes a 15% minimum effective tax rate for multinational corporations with consolidated revenues exceeding EUR 750 million. This policy is driving a shift in tax avoidance strategies toward more concealed yet still legally permissible instruments, including aggressive transfer pricing and capital structure engineering.

In Indonesia, this issue carries particularly significant dimensions. According to data from the Ministry of Finance of the Republic of Indonesia (2024), Indonesia's tax revenue in 2023 reached IDR 2,155.4 trillion, with a tax-to-GDP ratio of approximately 10.2%. This figure falls well below the Asia-Pacific developing country average of 19.1%, suggesting a high potential for tax revenue losses stemming from various avoidance practices. The Directorate General of Taxes (DJP) reported that during 2022-2024, more than 60% of tax disputes brought

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before the Tax Court pertained to transfer pricing issues, making it one of the largest tax risks in Indonesia.

The manufacturing sector is both the most vulnerable and the most consequential arena for tax avoidance. Manufacturing companies typically operate integrated cross-border value chains, utilize high-value intangible assets such as patents, trademarks, and proprietary technologies, and manage complex capital structures. As of December 2024, the IDX listed 233 manufacturing companies making it the sector with the largest number of listed issuers and the most material contribution to tax revenue. Several high-profile transfer pricing cases involving multinational pharmaceutical and natural resource companies during 2022-2024 have reinforced the urgency of research in this domain.

Theoretically, tax avoidance among manufacturing companies may originate from three primary mechanisms that constitute the focus of this study. First, transfer pricing through Related Party Transactions (RPT), which enables companies to shift profits to low-tax jurisdictions. Sebele-Mpofu et al. (2021) identified that more than 60% of cross-border profit shifting by multinational corporations in developing countries is facilitated through related-party transactions that do not reflect the arm's-length principle. Second, thin capitalization, which exploits interest expenses on excessive debt to reduce taxable income. Third, the management of high-value yet difficult-to-appraise intangible assets for the purpose of transferring ownership rights or charging cross-border royalties.

Although each of these variables has been studied in isolation, research that integrates all three in the context of Indonesian manufacturing companies using recent data remains very limited. Nurdiansyah and Masripah (2023) observed that research on tax avoidance in Indonesian multinational companies still faces significant empirical gaps, particularly in the post-pandemic and post-tax reform periods. This research gap is further heightened by the dynamic changes in tax regulation, including Minister of Finance Regulation No. 22/PMK.03/2020 on the implementation of Advance Pricing Agreements (APA) and PMK No. 172/PMK.010/2023 on the application of arm's-length principles in related-party transactions. Against this backdrop, the present study is designed to analyze the effects of transfer pricing, thin capitalization, and intangible assets on tax avoidance among manufacturing companies listed on the IDX for the period 2022-2024.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Theoretical Foundations

Agency Theory. This study is grounded in the agency theory developed by Jensen and Meckling (1976), which posits that the separation of company ownership and control gives rise to conflicts of interest between shareholders (principals) and management (agents). In the context of taxation, management as agents has an incentive to minimize tax obligations in order to maximize after-tax profits and, ultimately, performance-based compensation. This behavior drives the adoption of tax avoidance strategies such as transfer pricing and thin capitalization, which while beneficial to management in the short term may expose the company to legal and reputational risks. Agency theory provides the foundational explanation for why managers are motivated to exploit tax loopholes even when doing so conflicts with the long-term interests of shareholders.

Information Asymmetry Theory. The theory of information asymmetry (Dye, 1985) is relevant in explaining why transfer pricing practices are difficult for tax authorities to detect. Management has access to far more comprehensive information regarding the company's financial condition, transaction structures, and internal transfer prices than tax authorities do. This information asymmetry creates space for companies to engage in transfer pricing that does not reflect fair market value, thereby shifting the tax base to more favorable jurisdictions.

Trade-Off Theory. The trade-off theory (Modigliani & Miller, 1963) serves as the theoretical basis for understanding thin capitalization. This theory holds that companies seek to balance the tax benefits of debt financing (the tax shield) against the associated costs of financial distress. In the context of tax avoidance, multinational companies tend to maximize the use of intra-group debt to generate interest expenses deductible against taxable income, yielding significant tax savings even as this signals thin capitalization practices.

Tax Avoidance

Tax avoidance refers to taxpayers' efforts to minimize their tax liabilities by exploiting gaps in applicable legislation (Hanlon & Heitzman, 2010). In this study, tax avoidance is proxied by the Cash Effective Tax Rate (CETR), defined as the ratio of cash taxes paid to pre-tax income. A lower CETR indicates a higher degree of tax avoidance, while a CETR approaching the nominal corporate tax rate (22% in Indonesia since 2022) reflects greater tax compliance. Duhoon and Singh (2023), in their systematic literature review, affirm that CETR is the most widely used proxy in contemporary research because it captures actual tax payment behavior rather than accounting accruals.

In the Indonesian context, the average CETR of IDX-listed manufacturing companies for the 2022-2024 period stands at approximately 23.69% (σ = 5.27%), which is statistically close to the nominal Corporate Income Tax rate of 22%. However, the considerable heterogeneity in the distribution across the sample, ranging from 8.63% to 35.83%, indicates significant variation in tax behavior across companies. Kurniasih et al. (2023) found that Country-by-Country Reporting (CbCR), mandatory since 2016, has not yet effectively reduced tax avoidance in developing countries, including Indonesia.

Transfer Pricing and Tax Avoidance

Transfer pricing refers to the setting of prices for transactions between related parties (OECD, 2022). In this study, transfer pricing is proxied by the ratio of related-party receivables to total assets (RPT Ratio), which reflects the intensity of inter-entity transactions within a business group. Kalra and Afzal (2023), in their systematic literature review analyzing 68 studies on transfer pricing in developing countries, confirm that transfer pricing is the dominant profit-shifting mechanism used by multinational corporations, with estimated tax revenue losses of 4-8% of total corporate tax receipts in developing economies.

Transfer pricing affects tax avoidance through several channels. First, manipulation of prices for goods and services between related entities allows profits to be concentrated in affiliates located in low-tax jurisdictions. Second, the charging of management fees, royalties, or service fees from a parent entity to a subsidiary in a high-tax country erodes the local tax base. Sebele-Mpofu et al. (2021) noted that multinational corporations in developing countries employ at least four transfer pricing strategies: manipulation of tangible goods transaction prices, intangible asset royalty arrangements, intra-group loans, and inter-company service arrangements. Naruli et al. (2022) found that transfer pricing has a positive effect on tax avoidance among IDX-listed manufacturing companies.

H_1: Transfer pricing has a significant negative effect on the tax avoidance of manufacturing companies.

Thin Capitalization and Tax Avoidance

Thin capitalization refers to a condition in which a company is financed disproportionately by debt relative to equity, typically through intra-group loans from a parent company or affiliates (OECD, 2012). In this study, thin capitalization is measured using the Debt-to-Equity Ratio (DER). Theoretically, interest expenses on debt are deductible from taxable income; therefore, the higher the debt ratio, the greater the deductible interest expense, and the lower the tax paid. Indonesia has regulated a maximum DER of 4:1 through Minister

of Finance Regulation No. 169/PMK.010/2015 as a response to thin capitalization practices that harm tax revenues.

Anindita et al. (2022), in a study of Indonesian listed companies, found that thin capitalization rules (TCR) effectively limit tax avoidance by restricting the deductibility of interest. Mahardika and Irawan (2022), using a difference-in-differences approach, found that the implementation of TCR in Indonesia successfully reduced tax avoidance, with different effects observed between companies with high and low DER categories. Sumekar et al. (2023), examining IDX financial sector companies for the period 2020-2022, confirmed that thin capitalization has a significant negative effect on CETR. Similarly, EKOMA (2025), in a study of IDX financial sector issuers for 2021-2024, also found that thin capitalization has a significant negative effect on CETR.

H_2: Thin capitalization has a significant negative effect on the tax avoidance of manufacturing companies.

Intangible Assets and Tax Avoidance

Intangible assets encompass various forms of intellectual property, including patents, trademarks, licenses, goodwill, and software. Theoretically, ownership of intangible assets opens avenues for tax avoidance through the transfer of ownership rights to entities in low-tax jurisdictions and the charging of royalties to operating entities. Borkowski and Gaffney (2021) found that increases in intangible assets and R&D intensity are positively correlated with tax avoidance metrics among US multinational corporations. In the Indonesian context, Saputra et al. (2023), in a study of ASEAN manufacturing companies for the period 2017-2021, found that ownership of intangible assets affects tax avoidance, albeit with varying patterns across countries depending on the strength of domestic intangible transfer pricing regulations.

However, a number of studies have produced contrasting results. Kristina and Muhyarsyah (2023) found that intangible assets do not significantly affect transfer pricing decisions in IDX-listed manufacturing companies for the period 2019-2021. This may be attributable to two factors: (1) the relatively low proportion of intangible assets in Indonesian manufacturing companies compared to technology or pharmaceutical companies in advanced economies; and (2) stricter DJP regulations on cross-border royalty transactions, which make it more difficult to exploit intangible assets for tax avoidance purposes. Rizkillah and Putra (2022), in a study of mixed-sector companies, also found that the relationship between

intangible assets and tax avoidance is not direct, but rather mediated by transfer pricing decisions.

H_3: Intangible assets have a significant negative effect on the tax avoidance of manufacturing companies.

3. RESEARCH METHODOLOGY

Data Type and Source

This study adopts a quantitative approach using secondary data sourced from the annual reports and audited financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2022-2024. Data were obtained from the IDX database and the official websites of the respective companies. This study employs a panel data design incorporating both cross-sectional (across companies) and time-series (across years) dimensions, enabling control for unobserved heterogeneity across companies.

Population and Sample

The study population consists of all manufacturing companies listed on the IDX, totaling 164 companies. Sampling was conducted using a purposive sampling method based on three criteria, as presented in Table 1.

Table 1. Purposive Sampling Criteria.

Criterion	Description
C1	Listed on the IDX continuously for 2022-2024 (IPO before January 1, 2021)
C2	Holds Intangible Assets (IA) AND Related Party Transactions (RPT) disclosed in the notes to financial statements
C3	Has not incurred a net loss (Pre-tax Income > 0) throughout the three-year observation period

Applying these three criteria yielded 90 sample companies with a total of 270 observations (90 companies × 3 years). Following the identification and removal of 8 outliers using Cook's Distance and extreme CETR/DER values that violated the normality assumption, the final number of observations is 262 units of analysis (N = 262).

Operational Definition of Variables

Table 2. Operational Definition of Research Variables.

Variable	Proxy	Measurement	Reference
Tax Avoidance (Y)	CETR	Cash Taxes Paid / Pre-tax Income	Duhoon & Singh (2023); Hanlon & Heitzman (2010)
Transfer Pricing (X1)	RPT Ratio	Related Party Receivables / Total Assets	Naruli et al. (2022); Kalra & Afzal (2023)
Thin Capitalization (X2)	DER	Total Debt / Total Equity	Anindita et al. (2022); Sumekar et al. (2023)
Intangible Assets (X3)	IA Ratio	Intangible Assets / Total Assets	Saputra et al. (2023); Kristina & Muhyarsyah (2023)

Regression Model

$CETR_{it} = \alpha + \beta_1 RPT_{it} + \beta_2 DER_{it} + \beta_3 IA_{it} + \varepsilon_{it}$

Where α is the constant; β_1, β_2, β_3 are the regression coefficients; RPT is the related party transaction indeks; DER is the debt-to-equity indeks; IA is the intangible assets indeks; ε is the error term; i is the firm indeks; and t is the year indeks. Classical assumption tests include normality (Kolmogorov-Smirnov), multicollinearity (VIF), heteroscedasticity (Glejser), and autocorrelation (Durbin-Watson). Hypothesis testing employs a partial t-test (α = 5%) and a simultaneous F-test.

4. RESULTS AND DISCUSSION

Descriptive Statistics

Table 3 presents the descriptive statistics for all research variables following the removal of 8 outlier observations, with a final sample of N = 262.

Table 3. Descriptive Statistics of Research Variables (N = 262).

Variable	N	Min	Max	Mean	Std. Dev.
Tax Avoidance (CETR)	262	0.0863	0.3583	0.2369	0.0527
Transfer Pricing (RPT)	262	0.0273	0.2188	0.0826	0.0370
Thin Capitalization (DER)	262	0.2355	4.0277	1.2332	0.8189
Intangible Assets (IA Ratio)	262	0.0008	0.0986	0.0167	0.0165

Source: SPSS 26 output, processed data (2026)

The mean CETR of 0.2369 (23.69%) is slightly above Indonesia's nominal Corporate Income Tax rate of 22%, broadly indicating that the average sample company is not aggressively avoiding taxes. However, the considerable dispersion (σ = 5.27%), with a minimum CETR of 8.63%, signals significant heterogeneity in tax behavior across sample firms. The mean RPT ratio of 8.26% of total assets reflects a fairly significant intensity of related-party transactions, consistent with the characteristics of manufacturing companies that typically operate within the value chains of business groups. The mean DER of 1.23 reflects moderate leverage, still within the limit prescribed by PMK 169/2015 (maximum 4:1); however, certain companies have DER values approaching 4.03, nearing the regulatory threshold. The relatively low mean IA Ratio (1.67%) is consistent with the characteristics of traditional Indonesian manufacturing companies, whose asset base continues to be dominated by physical assets.

Classical Assumption Tests

Table 4. Normality Test Results.

One-Sample Kolmogorov-Smirnov Test	
N	262
Normal Parameters[a,b] – Mean	0.0000000
Normal Parameters[a,b] – Std. Deviation	0.04633180
Most Extreme Differences – Absolute	0.046
Most Extreme Differences – Positive	0.046
Most Extreme Differences – Negative	-0.029
Test Statistic	0.046
Asymp. Sig. (2-tailed)	.200[d]

Source: SPSS 26 output, processed data (2026)

The Kolmogorov-Smirnov normality test yields Asymp. Sig. (2-tailed) = 0.200 > 0.05, confirming that the model residuals are normally distributed.

Table 5. Multicollinearity Test Results.

Model	Tolerance	VIF
Transfer Pricing	0.820	1.219
Thin Capitalization	0.784	1.275
Intangible Assets	0.889	1.125

Source: SPSS 26 output, processed data (2026)

The multicollinearity test yields a maximum VIF of 1.275 (well below the threshold of 10) and a minimum Tolerance of 0.784 (well above the threshold of 0.10), indicating no multicollinearity issues among the independent variables.

Table 6. Heteroscedasticity Test Results (Glejser).

Model	B	Std. Error	Beta	t	Sig.
(Constant)	0.042	0.005	-	7.850	0.000
Transfer Pricing	-0.083	0.051	-0.111	-1.621	0.106
Thin Capitalization	0.002	0.002	0.070	0.996	0.320
Intangible Assets	-0.058	0.111	-0.034	-0.525	0.600

Source: SPSS 26 output, processed data (2026)

The Glejser test produces significance values greater than 0.05 for all variables, confirming the absence of heteroscedasticity.

Table 7. Autocorrelation Test Results

Model	R	R Square	Adj. R Square	Std. Error	Durbin-Watson
1	0.478[a]	0.228	0.219	0.0466004	1.951

Source: SPSS 26 output, processed data (2026)

The Durbin-Watson value of 1.951 falls within the acceptable range (1.5-2.5), indicating no autocorrelation.

Coefficient of Determination and F-Test

Table 8. Coefficient of Determination and F-Test Results.

Model	R	R Square	Adj. R Square	Std. Error of the Estimate		
1	0.478[a]	0.228	0.219	0.0466004		
Model		Sum of Squares	df	Mean Square	F	Sig.
Regression		0.166	3	0.055	25.422	.000[b]
Residual		0.560	258	0.002		
Total		0.726	261			

Source: SPSS 26 output, processed data (2026)

The Adjusted R^2 value of 0.219 (21.92%) indicates that transfer pricing, thin capitalization, and intangible assets collectively explain 21.92% of the variation in tax avoidance among IDX-listed manufacturing companies. The remaining 78.08% is explained by other factors outside the model, such as profitability, firm size, corporate governance, or sectoral fiscal incentives. The F-value of 25.422 with a significance level of $p < 0.001$ confirms that the regression model as a whole is fit and appropriate for explaining tax avoidance. The R-value of 0.478 indicates a moderate correlation between the independent variables and tax avoidance.

Hypothesis Testing Results (Partial t-Test)

Table 9. Partial t-Test Results - Regression Coefficients.

Model	B	Std. Error	Beta	t	Sig.
(Constant)	0.290	0.009	-	32.407	0.000
Transfer Pricing	-0.391	0.086	-0.274	-4.540	0.000
Thin Capitalization	-0.018	0.004	-0.282	-4.563	0.000
Intangible Assets	0.099	0.185	0.031	0.537	0.592

Source: SPSS 26 output, processed data (2026).

Based on the Coefficients table, Transfer Pricing (X1) and Thin Capitalization (X2) both yield a significance value of 0.000, confirming that they each have a partial negative and significant effect. Conversely, Intangible Assets (X3), with a significance value of 0.592, is found to have no significant effect. The resulting regression equation is:

$Y = 0.290 - 0.391X_1 - 0.018X_2 + 0.099X_3 + 0.0466$

This equation indicates that for every one-unit increase in Transfer Pricing and Thin Capitalization, the dependent variable decreases by 0.391 and 0.018, respectively. The standard error of 0.0466 represents the average deviation between the predicted and actual values in the model.

Discussion

Effect of Transfer Pricing (RPT) on Tax Avoidance

The results confirm that transfer pricing has a significant negative effect on tax avoidance ($\beta = -0.391$; $t = -4.540$; $p = 0.000009$), supporting H1. The negative coefficient indicates that an increase in the intensity of related-party transactions (RPT) is associated with

a decrease in CETR, signifying greater tax avoidance behavior. Each one-unit increase in the RPT Ratio reduces CETR by 0.391 units, ceteris paribus. This effect is statistically the strongest among the two significant variables (Beta = -0.274).

This result is consistent with the findings of Naruli et al. (2022), who established that transfer pricing has a positive effect on tax avoidance among IDX-listed manufacturing companies. Kalra and Afzal (2023) further confirm that transfer pricing is the primary profit-shifting mechanism in developing countries, where information asymmetry between companies and tax authorities remains high. The economic mechanism is clear: by increasing receivables from related parties, companies can shift taxable income to affiliated entities in lower-tax jurisdictions, thereby suppressing Indonesian-source profits and ultimately reducing CETR. Sebele-Mpofu et al. (2021) note that this practice is driven by agents' (management's) incentive to maximize after-tax net income, consistent with agency theory.

Effect of Thin Capitalization (DER) on Tax Avoidance

Thin capitalization is confirmed to have a significant negative effect on tax avoidance (β = -0.018; t = -4.563; p = 0.000008), supporting H2. The negative coefficient indicates that the higher the company's DER (leverage), the lower the CETR paid, signifying greater tax avoidance. In terms of standardized beta (-0.282), this predictor has a marginally larger absolute value than RPT, making it the strongest predictor in the model overall, even though its unstandardized coefficient (B) is smaller due to the differing scale of DER.

This finding is consistent with Anindita et al. (2022), who found that thin capitalization in Indonesia materially affects tax avoidance through the mechanism of intra-group interest charges. Mahardika and Irawan (2022) also demonstrated a similar effect. Sumekar et al. (2023) on IDX financial companies and EKOMA (2025) on a more recent period both confirm that thin capitalization is negatively associated with CETR. From the perspective of trade-off theory, companies optimizing their tax shield through debt will incur larger deductible interest expenses, thereby reducing taxable income and actual tax liabilities. The sample mean DER of 1.23, with values extending to 4.03, indicates that a portion of companies are approaching the regulatory DER ceiling, signaling fairly aggressive thin capitalization behavior.

Effect of Intangible Assets (IA Ratio) on Tax Avoidance

Intangible assets are not found to have a significant effect on tax avoidance (β = 0.100; t = 0.537; p = 0.592), thus H3 is rejected. The positive yet insignificant direction of the coefficient indicates that, in the context of IDX-listed manufacturing companies for 2022-2024, the presence of intangible assets is not directly associated with tax avoidance behavior.

This result is consistent with Kristina and Muhyarsyah (2023), who likewise found no significant effect of intangible assets on transfer pricing decisions in Indonesian manufacturing companies. The rejection of H3 can be explained through several arguments. First, descriptively, the very low mean IA Ratio (1.67% of total assets) reflects that Indonesian manufacturing companies remain predominantly asset-intensive, limiting the potential to exploit intangible assets for tax avoidance. Second, DJP regulations on cross-border royalty transactions (PER-43/PJ/2010 in conjunction with PMK 172/2023) have become increasingly stringent, making it difficult for companies to exploit intangible assets without adequate documentation. Third, Rizkillah and Putra (2022) found that the relationship between intangible assets and tax avoidance is indirect, mediated by transfer pricing decisions which explains why the direct effect is not significant in this study. A contrasting finding was reported by Saputra et al. (2023) in a cross-country ASEAN context, likely reflecting differences in regulatory strength and intangible asset intensity across jurisdictions.

5. CONCLUSION, LIMITATIONS, AND RECOMMENDATIONS

Conclusion

This study provides empirical evidence on the determinants of transfer pricing, thin capitalization, and intangible assets in relation to tax avoidance among 90 IDX-listed manufacturing companies for the period 2022–2024 (N = 262). The main findings can be summarized as follows. First, transfer pricing has a significant negative effect on tax avoidance ($p < 0.001$), confirming that intensive related-party transactions serve as a vehicle for profit shifting that suppresses CETR. Second, thin capitalization has a significant negative effect on tax avoidance ($p < 0.001$), demonstrating that high leverage as a tax shield mechanism through interest expense increases tax avoidance. Third, intangible assets do not significantly affect tax avoidance ($p = 0.592$), which can be explained by the low proportion of intangible assets among Indonesian manufacturing companies and the tightening of cross-border royalty regulations. Simultaneously, the model is significant ($F = 25.422$; $p < 0.001$) with an Adjusted R^2 of 21.92%.

Theoretical and Practical Implications

Theoretically, this study reinforces the relevance of agency theory and trade-off theory in explaining tax avoidance behavior among Indonesian manufacturing companies. From a practical standpoint, the findings carry several important implications. For the tax authority (DJP), the results support the intensification of oversight over related-party transactions particularly related-party receivables as an early indicator of transfer pricing aggressiveness.

The Country-by-Country Reporting (CbCR) requirement, in place since 2016, should be strengthened with risk-based auditing that specifically targets companies with high RPT Ratios. Regarding thin capitalization, while PMK 169/2015 has established a maximum DER of 4:1, the presence of companies approaching this threshold suggests that policymakers should consider tightening the cap or adopting stricter interest limitation calculation methods in line with the OECD's BEPS Action 4 recommendations. For investors and financial analysts, CETR and DER can serve as early-warning signals for identifying potential tax risks that may affect cash flows and firm value over the long term.

Limitations and Directions for Future Research

This study has several limitations. First, the RPT proxy (related-party receivables/total assets) captures only one dimension of transfer pricing; future research could employ a comprehensive index encompassing related-party debt, sales, and purchases. Second, this study does not include control variables such as firm size, profitability, or corporate governance, which may potentially affect tax avoidance. Third, the observation period of 2022-2024 (three years) is relatively short; extending the period or employing a before-and-after design around the implementation of OECD Pillar Two would enhance the validity of inferences. Fourth, future research is encouraged to use mediation or moderation models to examine whether intangible assets affect tax avoidance indirectly through transfer pricing, and to adopt fixed-effect or random-effect panel data approaches to control for unobserved heterogeneity across companies.

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