

THE EFFECT OF FINANCIAL DISTRESS AND TRANSFER PRICING ON TAX AVOIDANCE WITH FIRM SIZE AS A MODERATING VARIABLE

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Abstract

This study investigates the effect of financial distress and transfer pricing on tax avoidance, with firm size as a moderating variable. Furthermore, the population consists of Property and Real Estate companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2024. The study applies quantitatively. The data were collected using purposive sampling with 140 data observations. Moreover, the data were taken from financial statements that were published into the official website (www.idx.co.id). The independent variables were financial distress as well as transfer pricing. Meanwhile, the dependent variable was tax avoidance, proxied by the Cash Effective Tax Rate (CETR), where a higher CETR indicates lower tax avoidance, with firm size as a moderating variable. Additionally, the data were analyzed using multiple linear regression analysis with Moderated Regression Analysis (MRA). As a result, it shows that financial distress has a positive effect on CETR, showing a negative effect on tax avoidance. However, transfer pricing has a positive effect on CETR, which also indicates lower tax avoidance. In addition, firm size is not proven to moderate the effect of financial distress and transfer pricing on tax avoidance.

Keywords: financial distress; transfer pricing; firm size; tax avoidance

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1. Introduction

Based on the General Provisions and Tax Procedures Law (UU KUP), tax is defined as a mandatory contribution to the state owed by individuals or entities that is coercive in nature under the law, without direct compensation, and used for state purposes to achieve the greatest prosperity of the people (Hani & Furqon, 2021). This definition highlights several key characteristics of taxation. First, tax payment is mandatory for every taxpayer, both individuals

and entities (Nugroho & Kurnia, 2020). Second, tax collection by the state is coercive, but it must be implemented in accordance with statutory regulations to align with the principles of sound taxation. Third, taxpayers do not receive direct benefits from the taxes paid; instead, they obtain indirect benefits through government programs financed by tax revenues. Fourth, tax payment reflects the spirit of mutual cooperation among citizens in financing state expenditures and national development to achieve public welfare (Putri & Taun, 2023).

Tax revenue data indicate that taxes constitute the primary source of state income. In 2024, tax contributions accounted for approximately 82% of total domestic revenue. This condition reflects the high dependence of the state on tax revenues to finance various development programs and public welfare. Therefore, tax avoidance practices by corporate taxpayers have the potential to significantly affect the state's fiscal capacity. Since the tax reform following 1998, Indonesia has implemented a Self Assessment System, which grants taxpayers the authority to calculate, pay, and report their own tax liabilities. Although this system is designed to enhance voluntary compliance, in practice there are still regulatory loopholes that can be exploited by companies to engage in aggressive tax management. A report by the Tax Justice Network (2020), as cited by Silaen, Safrianti, and Waliamin (2024), estimates that Indonesia experiences potential tax revenue losses of US\$4.86 billion annually, with approximately IDR 58.7 trillion attributed to tax avoidance practices by corporate taxpayers.

This phenomenon is reflected in Indonesia's relatively low tax ratio compared to other ASEAN countries. In 2022, Indonesia's tax ratio was 10.39%, still below Thailand (17.18%), Vietnam (16.21%), and Singapore (12.96%). This condition indicates that Indonesia's tax revenue potential has not been optimally realized. Historically, Indonesia's tax ratio during the 2015-2024 period has tended to stagnate within the range of 9-10%, although it experienced a sharp decline in 2020 due to the COVID-19 pandemic. This stagnation suggests the presence of structural challenges in optimizing tax revenue. One of the pressing issues in the tax accounting literature is tax avoidance. Tax avoidance is defined as efforts by taxpayers to minimize tax burdens by exploiting regulatory loopholes that are legally permissible but often contradict the spirit of tax fairness (Hanlon & Heitzman, 2010). This phenomenon is critical because it has the potential to erode the state's tax base.

The property and real estate sector is one of the sectors that has received attention regarding tax avoidance practices. This sector makes a significant contribution through Final Income Tax on the transfer of land and building rights as well as Value Added Tax. However, several cases indicate the presence of transaction value manipulation, under-reporting, and the use of transfer pricing schemes. One frequently cited case involves the developer Bukit Semarang Baru (PT Karyadeka Alam Lestari), where there was a significant discrepancy between the transaction value stated in the deed and the actual selling price, potentially resulting in substantial tax losses. This case illustrates the existence of gaps in the tax administration system that can be exploited by companies.

In addition, the property and real estate sector has distinctive characteristics that make it highly relevant for tax avoidance research. This industry is characterized by high asset intensity, particularly in land banks, buildings, and long-term investments, which provide flexibility in asset valuation and revenue recognition. Furthermore, property projects generally involve long project cycles and substantial financing requirements, creating pressure on corporate cash flows and increasing incentives for tax planning strategies. The sector also tends to involve complex affiliated transactions, including joint ventures, subsidiary arrangements, and related-party financing, which may increase opportunities for transfer pricing practices. These characteristics make the property and real estate sector particularly vulnerable to aggressive tax management and therefore relevant for examining the relationship between financial distress, transfer pricing, and tax avoidance.

Theoretically, several factors may influence corporate tax avoidance behavior, including financial distress and transfer pricing. Financial distress reflects a condition in which a company experiences financial difficulties and is unable to generate sufficient cash flow to meet its obligations (Brigham & Daves, 2007). In such conditions, management is presumed to have incentives to reduce tax burdens in order to maintain liquidity. Dang and Tran (2021) state that companies experiencing financial distress tend to take higher risks, including engaging in tax avoidance, due to the need to sustain business continuity.

Furthermore, transfer pricing is also an instrument frequently associated with tax avoidance. Transfer pricing refers to the pricing of transactions between related parties (Ramadhani *et al.*, 2021). Through this mechanism, companies have the potential to shift profits to entities located in jurisdictions

with lower tax rates. Astrina *et al.* (2022) emphasize that multinational companies often utilize transfer pricing to minimize tax burdens through price manipulation among affiliated entities. The relationship between financial distress, transfer pricing, and tax avoidance is not necessarily linear but may be influenced by firm size. Firm size reflects the scale of operations and resources possessed by a company. Larger firms generally have more complex tax planning capabilities while also being subject to stricter regulatory oversight. Several studies have produced inconsistent findings regarding the moderating role of firm size, indicating the existence of a research gap that requires further examination.

Previous empirical studies also show inconsistencies. Some studies find that financial distress has a positive effect on tax avoidance, while others report negative or insignificant effects. Similarly, findings on the transfer pricing variable remain mixed. These differences highlight the need for further testing, particularly in the property and real estate sector in Indonesia, which has unique characteristics. Based on the above discussion, this study aims to provide empirical evidence on the effect of financial distress and transfer pricing on tax avoidance, with firm size as a moderating variable, in property and real estate companies listed on the Indonesia Stock Exchange during the 2021-2024 period.

2. Research Method

Type of Research and Objective

The research method is essentially used to determine the truth and solve the problems being studied. To achieve these objectives, an appropriate and relevant method is required. This study employs a quantitative research approach with descriptive and verificative methods. According to Sugiyono (2010), the quantitative method is “a research method based on the philosophy of positivism, used to examine a specific population or sample, where sampling techniques are generally random, data collection uses research instruments, and data analysis is quantitative or statistical in nature with the aim of testing predetermined hypotheses.”

In this study, descriptive and verificative analyses are used to examine the effect of financial distress and transfer pricing on tax avoidance, with firm size as a moderating variable, in real estate management and development companies listed on the Indonesia Stock Exchange during the 2021-2024 period.

Sampling Technique

The population in this study consists of real estate management and development companies listed on the Indonesia Stock Exchange from 2021 to 2024. The sampling method used is purposive sampling. The sample selection criteria are as follows:

Table 1. Sample Selection Process

No	Criteria	Total
1	Real estate management and development companies listed on IDX (2021-2024)	92
2	Companies with incomplete financial statements (2021-2024)	(21)
3	Companies experiencing losses during 2021-2024	(33)
4	Companies with CETR values outside the range of 0-1	(3)
5	Total sample meeting the criteria	35
6	Total observations (35 companies × 4 years)	140
	Total observations used in the study	140

Data Collection Technique

This study uses secondary data derived from audited financial statements of real estate management and development companies listed on the Indonesia Stock Exchange for the 2021-2024 period. Data collection is conducted using the documentation method by accessing the official IDX website and company websites to ensure the completeness of financial reports.

Variables and Operational Definitions

This study uses three types of variables-dependent, independent, and moderating variables. The dependent variable is influenced by the independent variables (Ghozali, 2013:5). In this study, the dependent variable is tax avoidance (TA). Independent variables are those that influence the dependent variable (Ghozali, 2013:9), namely financial distress (FD) and transfer pricing (TP). The moderating variable in this study is firm size (FS).

Dependent Variable (Tax Avoidance)

Tax avoidance is measured using Cash Effective Tax Rate (Cash ETR). According to Sulaeman (2021) and Dewi & Setiawan (2024), Cash ETR is calculated as follows:

$$\text{Cash ETR} = \frac{\text{Tax Payments}}{\text{Pre Tax Income}} \quad (1)$$

Independent Variables

Financial Distress

Financial distress refers to a condition in which a company experiences financial difficulties prior to bankruptcy. In this study, financial distress is measured using the Altman Z-Score formula as follows:

$$Z = 1.2A + 1.4B + 3.3C + 0.6D + 1.0E \quad (2)$$

Where:

$$A = \frac{\text{Current Assets} - \text{Current Liabilities}}{\text{Total Assets}} \quad (3)$$

$$B = \frac{\text{Retained Earnings}}{\text{Total Assets}} \quad (4)$$

$$C = \frac{\text{EBIT}}{\text{Total Assets}} \quad (5)$$

$$D = \frac{\text{Number of Shares} \times \text{Share Price}}{\text{Total Debt}} \quad (6)$$

$$E = \frac{\text{Sales}}{\text{Total Assets}} \quad (7)$$

Bankruptcy likelihood is indicated by the Z-Score value. If the Z-Score exceeds 2.99, the company is considered to be in a safe condition. If the Z-Score is between 1.81 and 2.99, the company is in a grey area. If the Z-Score is below 1.81, the company is considered to be in financial distress.

Transfer Pricing

Transfer pricing refers to the pricing of transactions between related parties. The use of related-party receivables as a proxy for transfer pricing is based on the assumption that transactions with affiliated entities may reflect the intensity of intra-group economic activities that potentially facilitate profit shifting and tax planning practices. Theoretically, agency theory explains that managers may utilize affiliated transactions to achieve certain financial objectives, including tax efficiency. A higher proportion of related-party receivables shows a greater level of transactions with affiliated parties, which may increase opportunities for transfer pricing practices through pricing policies, intercompany sales, or financing arrangements. Therefore, related-party receivables are considered relevant for capturing the extent of affiliated transactions associated with transfer pricing activities.

However, this proxy also has limitations. The ratio of related-party receivables cannot directly identify whether transfer pricing practices are

conducted aggressively or merely represent normal operational transactions between affiliated entities. In addition, the proxy does not capture the fairness of transfer prices or distinguish between domestic and cross-border affiliated transactions, which may have different tax implications. Despite these limitations, this proxy is widely used in empirical studies because information on related-party receivables is consistently disclosed in corporate financial statements and reflects the intensity of affiliated transactions. To measure the level of related-party transactions, this study uses a transfer pricing proxy as follows (Honorris, Trisnawati & Sriwati, 2025):

$$\text{Transfer Pricing} = \frac{\text{Total Related-Party Receivables}}{\text{Total Receivables}} \quad (8)$$

Moderating Variable

Firm Size

Firm size represents the classification of a company based on its scale. It also reflects operational activities and company revenue. This study measures firm size using the SIZE proxy on a ratio scale (Agustanada & Khomsiyah, 2025):

$$\text{Size} = \ln(\text{Total Asset}) \quad (9)$$

Data Analysis Technique

Descriptive Statistical Analysis

Descriptive statistical analysis provides a comprehensive summary of the observed data, including mean, standard deviation, and maximum and minimum values for each variable.

Classical Assumption Tests

Classical assumption tests are used to evaluate the feasibility of the regression model, which is processed using SPSS version 26. These tests ensure that the regression model meets the basic assumptions of linear regression, so that the hypothesis testing results are valid, unbiased, and interpretable.

Normality Test

The normality test is conducted using the Normal Probability Plot (P-Plot). If the residual points are distributed around and follow the diagonal line, the residuals are considered normally distributed, indicating that the model satisfies the normality assumption.

Heteroscedasticity Test

The heteroscedasticity test aims to determine whether there is variance inequality among residuals. If the residual variance is constant, it is called homoscedasticity; otherwise, it is heteroscedasticity. The criteria are (Ghozali, 2013:139):

1. If points form a specific pattern (e.g., wavy, widening, then narrowing), heteroscedasticity is indicated.
2. If no clear pattern exists and points are randomly distributed above and below zero on the Y-axis, heteroscedasticity is not present.

Multicollinearity Test

This test examines whether there is a correlation among independent variables. It uses tolerance values and Variance Inflation Factor (VIF). A good regression model has no multicollinearity (Ghozali, 2013:105). The criteria are:

1. Tolerance > 0.05 and VIF < 10: no multicollinearity.
2. Tolerance < 0.05 and VIF > 10: multicollinearity exists.

Autocorrelation Test

Autocorrelation is tested using the Durbin-Watson test to determine whether residuals are correlated. A value close to 2 indicates no autocorrelation, meaning residuals are random and the model satisfies the assumption.

Regression Analysis

This study uses multiple linear regression and Moderated Regression Analysis (MRA). Multiple linear regression tests the direct effect of independent variables on the dependent variable, while MRA examines the moderating role by including interaction terms between independent and moderating variables. The regression equations are as follows:

$$TA = \beta + \beta_1 Fd + \beta_2 Tp + e \quad (10)$$

$$TA = \alpha + \beta_1 Fd + \beta_2 Tp + \beta_3 Up + \beta_4 Fd. Up + \beta_5 Tp. Up + e \quad (11)$$

Where:

TA = Tax Avoidance
 α = Constanta
 β = Coeffisien Independent Variable
 Fd = Financial Distress
 Tp = Transfer Pricing
 Up = Company Size
 e = Error

Model Testing

Coefficient of Determination (R^2)

The coefficient of determination measures how well the model explains the dependent variable. The value ranges from 0 to 1. A value close to 1 indicates that independent variables provide most of the information needed to predict the dependent variable, while a value close to 0 indicates limited explanatory power.

F-Test

The F-test evaluates the overall significance of the regression model (Ghozali, 2016). It determines whether all independent variables jointly affect the dependent variable. With a significance level of 0.05:

1. If significance > 0.05 , the model is not fit.
2. If significance < 0.05 , the model is fit.

Hypothesis Testing

Hypothesis testing uses the t-test to assess the individual effect of independent variables on the dependent variable and the moderating effect. The significance level used is 0.05. The criteria are:

1. If significance > 0.05 , H_0 is accepted and H_1 is rejected.
2. If significance < 0.05 , H_0 is rejected and H_1 is accepted.

3. Result and Discussion

Statistical Data Analysis

Descriptive statistical analysis aims to provide an overview of the variables used in this study. The dependent variable is tax avoidance, proxied by the Cash Effective Tax Rate (CETR). A higher CETR value reflects lower tax avoidance, while a lower CETR value reflects higher tax avoidance. The independent variables are financial distress, proxied by the Altman Z-Score, and transfer pricing, proxied by the ratio of related-party receivables to total receivables. Meanwhile, firm size is used as a moderating variable, measured by the natural logarithm of total assets. Descriptive analysis presents the number of observations, sum, range, variance, skewness, kurtosis, standard deviation, minimum, maximum, and mean values. However, in this study, only the minimum, maximum, mean, and standard deviation are discussed.

1. Tax Avoidance

Table 2. Descriptive Statistics of Tax Avoidance

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation

TA	140	0.0003	0.8668	0.1573	0.1745
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Tax avoidance refers to efforts to minimize tax liabilities within the legal framework by utilizing existing tax regulations. Based on Table 2, the total sample consists of 140 observations. The minimum value of tax avoidance is 0.0003, indicating that PT Vastland Indonesia Tbk (VAST) in 2023 paid taxes amounting to only 0.03% of its pre-tax income, reflecting a relatively high level of tax avoidance. The maximum value is 0.8668, indicating that PT Repower Asia Indonesia Tbk (REAL) in 2023 paid taxes amounting to 86.68% of its pre-tax income, reflecting a relatively low level of tax avoidance. The mean value of 0.1573 suggests that, on average, companies pay approximately 15.7% of their pre-tax income in cash taxes. The mean is lower than the standard deviation (0.1745), indicating high data dispersion and variability.

2. Financial Distress

Table 3. Descriptive Statistics Results of Financial Distress

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
FD	140	0.2255	31.2797	3.6137	4.8946

The descriptive statistics show that financial distress (Altman Z-Score) varies significantly among sample companies. The minimum value of 0.2255 (PT Binakarya Jaya Abadi Tbk in 2022) indicates a distress zone with a high risk of bankruptcy. Conversely, the maximum value of 31.2797 (PT Minahasa Membangun Hebat Tbk in 2023) reflects a very healthy financial condition. The average Z-Score of 3.6137 falls within the safe zone, indicating that, in general, the sample companies have stable financial conditions and relatively low bankruptcy risk, although some firms still experience financial pressure. Higher Z-Score values indicate better financial health and lower bankruptcy risk, while lower values reflect weaker financial conditions.

3. Transfer Pricing

Table 4. Descriptive Statistics Results of Transfer Pricing

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation

TP	140	0.00	0.9803	0.1335	0.2260
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The descriptive statistics indicate that the transfer pricing variable shows considerable variation across companies. The minimum value of 0, observed in several firms such as PT Era Graharealty Tbk and PT Jaya Sukses Makmur Sentosa Tbk, indicates the absence of related-party receivable transactions, limiting the potential use of transfer pricing through this mechanism. In contrast, the maximum value of 0.9803 (PT Star Pacific Tbk in 2024) reflects the dominance of affiliated transactions in the company's receivables structure, which theoretically opens opportunities for transfer pricing practices. However, the mean value of 0.1335 suggests that, overall, the intensity of related-party transactions remains relatively low. This variation indicates that firms with higher proportions of affiliated transactions have greater potential to engage in transfer pricing strategies, although actual implementation depends on compliance, tax supervision, and corporate governance.

4. Firm Size

Table 5. Descriptive Statistics Results of Firm Size

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
UP	140	24.2185	31.9621	28.9023	1.6912

The descriptive statistics show that firm size (Ln total assets) varies significantly across the sample. The minimum value of 24.22 (PT Era Graharealty Tbk in 2021) reflects relatively small-scale firms, while the maximum value of 31.96 (PT Bumi Serpong Damai Tbk in 2024) indicates very large firms with complex operations. The average value of 28.90 suggests that most companies in the property sector fall into the medium-to-large category, indicating sufficient financial capacity and resources to support operations and strategic decision-making.

Classical Assumption Tests

Normality Test

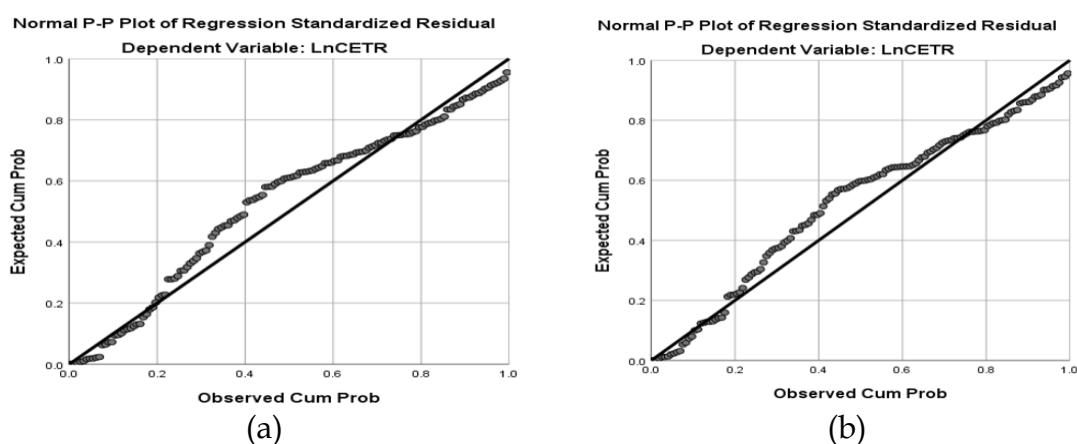


Figure 1. Normality Test Results (a) Model : 1, (b) Model : 2

The normal P-Plot results show that residual points are distributed around and follow the diagonal line, indicating that the data are normally distributed. Thus, the normality assumption is satisfied.

Heteroscedasticity Test

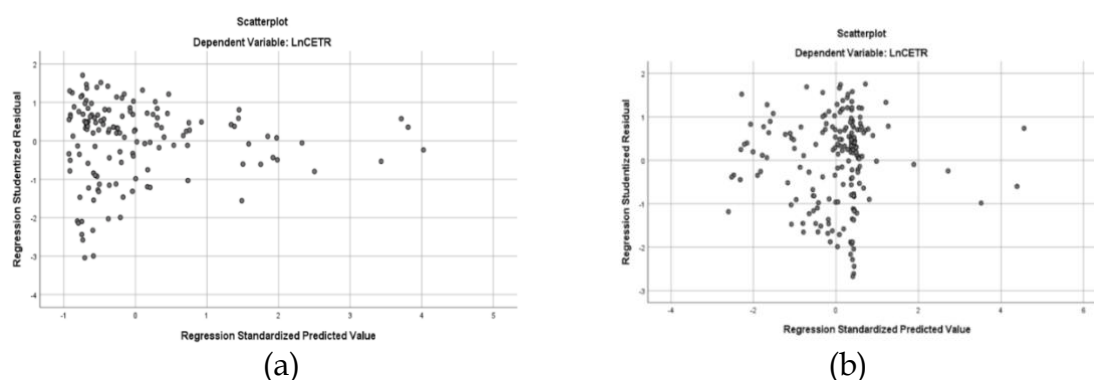


Figure 2. Heteroscedasticity Test Results

The scatterplot results indicate that residual points are randomly distributed above and below zero on the Y-axis, without forming any specific pattern. Therefore, it can be concluded that there is no heteroscedasticity problem, and the regression model is appropriate for further analysis.

Multicollinearity Test

Table 6. Multicollinearity Test Results

Coefficientsa				
	Model : 1		Model : 2	
	Collinearity Statistics		Collinearity Statistics	
	Tolerance	VIF	Tolerance	VIF
(Constant)				
ZScore	0,993	1,007	0,452	2,213
TP	0,993	1,007	0,685	1,459
UP	-	-	0,613	1,632
ZScorexUP	-	-	0,465	2,150
TPxUP	-	-	0,522	1,916

The results indicate no multicollinearity, as all variables have VIF values below 10 and tolerance values above 0.05. This confirms that there is no correlation among independent variables in the regression model.

Autocorrelation Test

Table 7. Autocorrelation Test Results

Model	Durbin-Watson
1	1,983
2	2,021

The Durbin-Watson values are 1.983 (Model 1) and 2.021 (Model 2), both close to 2, indicating no autocorrelation. Thus, the regression model satisfies the autocorrelation assumption.

Regression Analysis

Table 8. Regression Analysis Results

	Regressi Linier (Model:1)		MRA (Model:2)	
	B	Std. Error	B	Std. Error
(Constant)	-3.181	0.200	0.048	0.091
ZScore	0.074	0.029	0.260	0.123
TP	1.416	0.632	0.234	0.100
UP	-	-	-0.010	0.105
ZScorexUP	-	-	0.081	0.085
TPxUP	-	-	0.196	0.170

The multiple linear regression results show that financial distress (Z-Score) has a positive coefficient of 0.074, showing that higher financial distress

increases CETR and therefore reflects lower tax avoidance. This finding suggests that companies experiencing financial pressure tend to maintain tax compliance rather than engage in aggressive tax avoidance practices.

The transfer pricing variable has a coefficient of 1.416. Since tax avoidance is proxied by CETR, a positive coefficient indicates a negative relationship with tax avoidance. This means that higher transfer pricing intensity is associated with lower tax avoidance, suggesting that related-party transactions in the sample reflect compliance rather than aggressive tax behavior.

In the moderation model, firm size has a negative coefficient on CETR, implying that larger firms tend to have lower CETR and therefore higher tax avoidance. However, the interaction terms ($ZScore \times Size = 0.081$ and $TP \times Size = 0.196$), although positive, are not statistically significant. This indicates that firm size does not significantly moderate the relationship between financial distress, transfer pricing, and tax avoidance. Financial distress and transfer pricing tend to increase CETR, which reflects lower levels of tax avoidance, while the role of firm size is influenced by regulatory oversight and compliance.

Hypothesis Testing

Coefficient of Determination (R^2)

Table 9. R^2 Test Results

Model	R Square
1	0,072
2	0,088

The R^2 value in Model 1 is 0.072, indicating that financial distress and transfer pricing explain 7.2% of the variation in tax avoidance. After including firm size as a moderating variable, R^2 increases to 0.088 (8.8%). This slight increase (1.6%) suggests that firm size provides limited additional explanatory power, indicating a weak moderating role.

F-Test

Table 10. F-Test Results

Model	F	Sig.
1	5,314	0,006b
2	2,595	0,028b

The F-test results show significance values of 0.006 (Model 1) and 0.028 (Model 2), both below 0.05. This indicates that both regression models are statistically fit and that the independent variables jointly influence tax avoidance.

t-Test (Hypothesis Testing)

Table 11. t-Test Results (Model 1)

Model		Standardized Coefficients	t	Sig.
		Beta		
1	(Constant)		-15,944	0
	ZScore	0,21	2,547	0,012
	TP	0,185	2,242	0,027

The t-test results show the individual effects of independent variables on tax avoidance:

H₁: Financial distress has a positive effect on tax avoidance

The Z-Score variable has a significance value of 0.012 (< 0.05), indicating a significant effect on CETR. The positive coefficient indicates that financial distress increases CETR, which means that higher financial distress is associated with lower tax avoidance. Thus, H₁ is rejected because the empirical results indicate a negative relationship between financial distress and tax avoidance.

H₂: Transfer pricing has a negative effect on tax avoidance

The transfer pricing variable has a significance value of 0.027 (< 0.05). Although the coefficient is positive on CETR, it implies a negative effect on tax avoidance. Thus, higher transfer pricing reduces tax avoidance. H₂ is accepted.

Table 12. t-Test Results (Model 2)

		Standardized Coefficients	t	Sig.
		Beta		
2	(Constant)		0.525	0.6
	ZScore	0.26	2.121	0.036
	TP	0.234	2.353	0.02
	UP	-0.01	-0.094	0.925
	ZScorexUP	0.116	0.96	0.339
	TPxUP	0.131	1.151	0.252

H₃: Firm size moderates the effect of financial distress on tax avoidance

The interaction term has a significance value of 0.339 (> 0.05), indicating no moderating effect. Firm size does not strengthen or weaken the relationship. Thus, H_3 is rejected.

H₄: Firm size moderates the effect of transfer pricing on tax avoidance

The interaction term has a significance value of 0.252 (> 0.05), indicating no moderating effect. Thus, H_4 is rejected.

Financial distress, as measured using the Altman Z-Score, shows a positive and significant effect on CETR, showing a negative effect on tax avoidance. This finding suggests that companies experiencing financial pressure tend to maintain higher tax payments relative to pre-tax income, thereby reducing tax avoidance practices. Therefore, higher financial distress is associated with lower levels of tax avoidance. These findings are consistent with Nurfarida and Andriani (2025), Dang and Tran (2021), and Sadjarto *et al.* (2020), but differ from Honorris *et al.* (2024), which may be influenced by differences in samples, industry sectors, research periods, and measurement approaches.

Furthermore, transfer pricing, proxied by the ratio of related-party transactions, shows a negative effect on tax avoidance. Based on agency theory, the application of the arm's length principle, and documentation requirements, companies tend to be more cautious, so transfer pricing practices are directed more toward operational efficiency and tax compliance rather than as a means of tax avoidance. These findings are consistent with Hidayah and Puspita (2024), but differ from Tamam and Tarmidi (2025), which may also be influenced by variations in samples, sectors, research periods, and measurement proxies.

In addition, the moderation results indicate that firm size is not able to moderate the effect of financial distress on tax avoidance, as shown by a positive but insignificant coefficient. This suggests that company size does not strengthen or weaken the tendency toward tax avoidance when firms experience financial pressure, possibly because larger firms are subject to stricter supervision, limiting opportunities for tax avoidance. This finding is consistent with Julianty *et al.* (2023), but differs from Nurfarida and Andriani (2025).

Similarly, firm size is also not proven to moderate the effect of transfer pricing on tax avoidance, as indicated by the insignificant interaction coefficient and the absence of an increase in the coefficient of determination. This suggests that transfer pricing practices in the real estate management and development

sector are not influenced by firm size, likely due to strict fiscal supervision, documentation requirements, and the nature of property transactions, which are material and long-term. As a result, both large and small firms tend to act cautiously. These findings are consistent with Tamam and Tarmidi (2025) and Fitriani and Taqi (2024), but differ from Komara *et al.* (2022), which may be influenced by differences in sample characteristics, industry sectors, research periods, and variable measurements.

4. Conclusion

Based on the research results, financial distress has a positive and significant effect on tax avoidance, indicating that the higher the financial pressure, the greater the tendency of management to engage in tax avoidance. This is driven by high capital requirements, dependence on debt, and long project cycles that increase cash flow pressure and encourage efficiency through tax strategies. This finding is consistent with agency theory, which emphasizes opportunistic managerial behavior to maintain liquidity and business continuity. Furthermore, transfer pricing has a negative and significant effect on tax avoidance, indicating that an increase in related-party transactions actually reduces the level of tax avoidance. This is because affiliated transactions in the property sector are generally large in value and subject to strict supervision by tax authorities and auditors. In addition, documentation requirements and the risk of fiscal corrections encourage compliance with the arm's length principle. Firm size is not able to moderate the effect of financial distress on tax avoidance, indicating that cash flow pressure remains a dominant factor for both large and small companies. This is due to the relatively homogeneous risk characteristics of the property sector, as well as high external supervision in large firms and resource limitations in smaller firms. Similarly, firm size does not moderate the effect of transfer pricing on tax avoidance, suggesting that this relationship is more influenced by the level of compliance with regulations and the arm's length principle rather than by company scale. As a result, both large and small companies face strict oversight in related-party transactions, and firm size does not serve as a differentiating factor in this relationship.

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