

The Role of Family Ownership in Moderating the Relationship Between Related Party Transactions and Tax Avoidance

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ABSTRACT

This study examines the relationship between related party transactions (RPT) and tax avoidance in Indonesia, considering tighter RPT tax regulations and the prevalence of family-owned firms. The moderating role of family ownership is also explored using agency theory and socioemotional wealth (SEW) as the theoretical basis. The study uses four tax avoidance proxies—GAAP ETR, current ETR, cash ETR, and BTDT—to analyze RPT in sales and purchases. Panel data regression with a random effects model on IDX-listed firms from 2016 to 2019 shows that when measured by GAAP ETR, RPT has a positive relationship with tax avoidance, and this positive relationship becomes weaker when family ownership is included as a moderating variable, while alternative proxies such as CETR, Cash ETR, and BTDT produce insignificant relationships between RPT and tax avoidance. However, sensitivity tests with alternative proxies for family ownership show the opposite result. These findings suggest that regulators should enhance RPT monitoring to curb tax avoidance, while practitioners, particularly in family-controlled firms, need to consider ownership structures when designing compliant tax strategies.

Keywords: Tax avoidance, related party transactions, and family ownership.

Peran Kepemilikan Keluarga dalam Memoderasi Hubungan Antara Transaksi Pihak Berelasi dan Penghindaran Pajak

ABSTRAK

Penelitian ini mengkaji ulang hubungan antara transaksi pihak berelasi (RPT) dan penghindaran pajak di Indonesia, mengingat semakin ketatnya regulasi pajak atas RPT serta tingginya prevalensi perusahaan keluarga. Studi ini juga mengeksplorasi peran kepemilikan keluarga sebagai variabel moderasi, dengan dasar teori agensi dan socioemotional wealth (SEW). Empat ukuran penghindaran pajak digunakan: GAAP ETR, Current ETR, Cash ETR, dan BTDT, dengan fokus pada aktivitas RPT berupa penjualan dan pembelian. Analisis regresi data panel dengan model random effects pada perusahaan yang terdaftar di BEI selama 2016–2019 menunjukkan bahwa RPT berhubungan positif dengan penghindaran pajak jika diukur dengan GAAP ETR, dan hubungan positif ini melemah ketika kepemilikan keluarga dimasukkan sebagai variabel moderasi, sedangkan pengukuran menggunakan proksi lain seperti CETR, Cash ETR, dan BTDT menghasilkan hubungan yang tidak signifikan antara RPT dan penghindaran pajak. Namun, analisis sensitivitas dengan proksi alternatif menunjukkan hasil sebaliknya. Temuan ini menunjukkan bahwa regulator perlu memperkuat pengawasan atas RPT untuk membatasi penghindaran pajak, sementara praktisi, khususnya pada perusahaan keluarga, perlu mempertimbangkan struktur kepemilikan dalam merancang strategi pajak yang patuh.

Kata Kunci: Penghindaran Pajak, Transaksi Berelasi, Kepemilikan Keluarga

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INTRODUCTION

Related party transactions (RPT) are a common strategy employed by business groups to reduce tax liabilities (Gramlich et al., 2004). This practice is particularly relevant in Indonesia, where family ownership dominates the corporate landscape and may intensify the use of RPT as a tool for earnings management and tax planning (Giovannini, 2010). In this context, family-controlled firms in Indonesia are more likely to utilize RPT as a channel for tax avoidance, making the Indonesian setting highly relevant for examining the interplay between RPT and family ownership in shaping corporate tax behavior.

Empirical findings on the relationship between RPT and tax avoidance remain inconsistent across contexts, and evidence from Indonesia is particularly fragmented. Some studies show a positive association, while others report no significant relationship. Still others find a negative effect depending on the proxy used to measure tax avoidance (Nguyen, 2022; Amidu et al., 2019; Oktaviani et al., 2023; Aryotama and Firmansyah, 2020; Azizah, 2016). Similarly, the role of family ownership has been debated, with findings varying across countries—ranging from higher aggressiveness in Brazil (Martinez, 2014) to more conservative behavior in the United States (US). Chen et al. (2010), while evidence from Indonesia remains inconclusive (Rakayana et al., 2021). These inconsistencies suggest that further investigation is needed, particularly by incorporating multiple tax avoidance proxies and considering the family ownership moderating effect.

Although RPTs are legal business activities, they have drawn significant attention from regulators, standard-setters, and market participants due to their potential misuse, which can harm stakeholders (Aryotama & Firmansyah, 2020). The Indonesian government responded to these concerns with PMK 172/2023, a regulation designed to enhance transparency and compliance in RPT practices, motivated by several high-profile cases of corporate fraud linked to RPT (Bhuiyan & Roudaki, 2018). Consequently, tax audits have focused on ensuring fair pricing in RPT. While PMK 172 was issued recently, its enactment underscores the urgency and relevance of examining RPTs, as it reflects the recognition of regulators that the issues surrounding RPT had existed long before the regulation was formally introduced.

RPT can be viewed through two perspectives: the opportunistic and the efficiency perspectives. From an opportunistic viewpoint, RPT may be used abusively to maximize the wealth of controlling shareholders at the expense of others. Meanwhile, from an efficiency perspective, they are employed to optimize resource allocation and operational efficiency (Utama, 2010). Furthermore, from an opportunistic standpoint, RPT are linked to tax avoidance, enabling controlling shareholders to reduce their tax liabilities through information asymmetry, which can lead to conflicts between principals and agents as described in agency theory (Marchini et al., 2019). Conversely, the efficiency perspective posits that RPT can enhance firm value by facilitating economically sound transactions (Ryngaert & Thomas, 2007) and serve as efficient contractual arrangements to meet firms' economic needs (Wulandari et al., 2022).

Given the inconclusive evidence on the RPT-tax avoidance link in Indonesia and the tightening of RPT regulations through PMK 172/2023, this

study reexamines the issue while addressing the underexplored role of family ownership as a moderator in a setting dominated by family-controlled firms.

Accordingly, this study has two main objectives: (1) to examine whether RPT is positively associated with tax avoidance, and (2) to investigate whether family ownership moderates this relationship. To provide a more comprehensive view, the study employs multiple tax avoidance proxies—GAAP Effective Tax Rate (ETR), Current ETR, cash ETR, and Book-Tax Difference (BTD)—using data from 87 IDX-listed firms over the period 2016–2019.

To explain these relationships, this study draws upon agency theory, contracting theory, and the socioemotional wealth (SEW) perspective. Agency theory (Jensen and Meckling, 1976) provides insight into conflicts between managers (agents) and shareholders (principals), particularly when information asymmetry leads to agency costs and moral hazard (Chan, 2016). In this context, controlling shareholders may exploit their dominant position to obtain private benefits, disadvantaging minority shareholders (Ali et al., 2006; Col, 2017). This issue is particularly relevant to RPT-related tax avoidance, where concentrated ownership can intensify opportunistic tax behavior (Khan et al., 2016). Mohammed (2019) highlights that firms with concentrated ownership are more prone to manipulation through RPT, although some studies suggest that family firms may reduce these conflicts through more effective governance structures (Panda & Leepsa, 2017).

Contracting theory (Macaulay, 1963) complements agency theory and emphasizes how the design of formal contracts can either mitigate or intensify agency problems in RPT. Poorly structured contracts may facilitate self-serving actions by dominant shareholders (Supatmi & Primadani, 2021), whereas well-designed contracts can enhance efficiency and lower transaction costs (Chang & Hong, 2000; Ryngaert & Thomas, 2007).

Additionally, the SEW perspective posits that family firms prioritize non-financial goals, such as legacy, identity, and reputation (Dyer & Whetten, 2006; Zellweger & Nason, 2008), which influence their approach to tax decisions. To protect their public image and uphold their societal role, family firms tend to avoid aggressive tax strategies, viewing taxes as contributions to public welfare (Austin & Wilson, 2017; Kuo, 2022; Razzak & Jassem, 2019). While this may lead to sacrificing short-term financial gains, it reflects their long-term orientation toward reputational sustainability (Gomez et al., 2007). Therefore, SEW may serve as a moderating factor within the context of RPT, positioning family ownership as a potential check on tax avoidance driven by agency conflicts.

Agency conflicts in RPTs often arise due to information asymmetry between controlling and minority shareholders. Controlling parties may opportunistically use RPT to shift income or extract private benefits, a practice referred to as tunneling (Farkhah et al., 2022). (Gramlich et al., 2004) and Slemrod (2004) found that business groups commonly use RPT to reduce tax liabilities through income shifting, while Nguyen (2022) showed that such strategies are prevalent in high-tax jurisdictions. Similarly, Jacob (1995) argues that multinational firms exploit RPT to shift profits across borders. These findings support the notion that RPT can serve as a vehicle for tax avoidance, especially

when corporate governance is weak or ownership is concentrated. Consequently, this study proposes the following hypothesis:

H₁ : RPT is positively related to tax avoidance.

From the perspective of agency theory, family ownership may leverage RPT as a tool to expropriate minority shareholders, taking advantage of information asymmetry (Marchini et al., 2019). Regarding tax avoidance, studies such as those by Martinez (2014) in Brazil and Sari and Martani (2010) in Indonesia found that family-owned firms are more inclined to engage in tax avoidance than their non-family counterparts. However, the SEW perspective offers a contrasting view. Family-owned firms are often deeply intertwined with the family's identity and reputation, prompting these businesses to prioritize long-term reputational concerns over short-term financial gains (Razzak & Jassem, 2019). Thus, family firms may be more cautious in employing tax avoidance strategies, particularly in RPT, to protect their reputation and familial legacy (Kuo, 2022).

Empirical studies support this notion. For example, Chen et al. (2010) found that family firms in the U.S. exhibit lower levels of tax avoidance than non-family firms. In the Indonesian context, regulations aimed at ensuring transparency and fairness in RPT encourage family-owned companies to be cautious and avoid practices that could lead to legal complications and reputational damage. Based on the above discussion, this study proposes the following hypothesis:

H₂: Family ownership weakens the relationship between RPT and tax avoidance.

Based on the theoretical background and formulation of hypotheses, the following research model was developed.

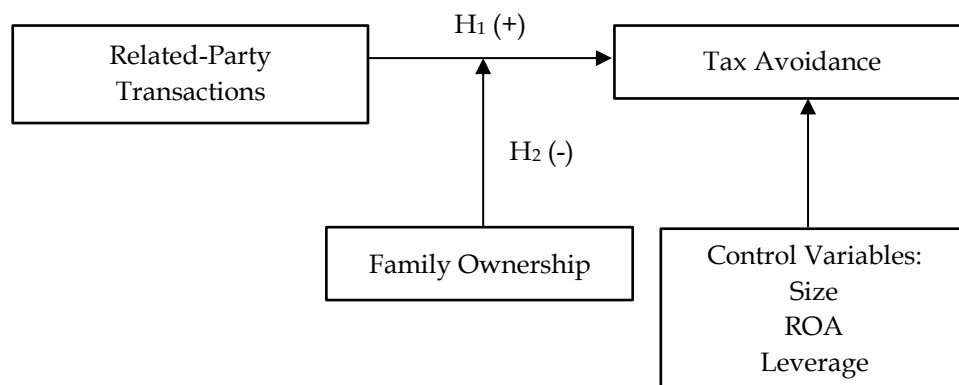


Figure 1. Research Model

Source: Research Data, 2025

RESEARCH METHODS

The sample for this study comprises companies listed on the Indonesia Stock Exchange (IDX) between 2016 and 2019. The year 2016 marks the start of the tax amnesty program, while 2019 was selected as the final year before the introduction of COVID-19-related tax incentives, maintaining a consistent tax rate of 25%. This four-year period is considered sufficient to capture variations in tax avoidance behavior because it reflects a stable regulatory environment, provides adequate longitudinal data for analysis, and represents a critical timeframe in which firms

adjusted their tax strategies in response to the amnesty before the pandemic's structural shock.

Data were sourced from the Thomson Reuters Refinitiv (Eikon) database. The researcher supplemented these with financial statements and a content analysis of RPT disclosures. The researcher also extracted family ownership data from the annual reports of the companies. This study analyzes tax avoidance as the dependent variable to provide a comprehensive view of the impact of RPT on tax avoidance, measured using GAAP ETR, CETR, Cash ETR, and Book-Tax Differences based on total assets. The independent variable is RPT, which is measured as the average ratio of transactions with related parties. The moderating variable is family ownership (FAM), which is primarily measured as the percentage of shares owned relative to the total number of outstanding shares. To ensure robustness, an alternative measurement following Kuo (2022) is also applied, using a dummy variable based on three criteria: (1) the proportion of family share ownership, (2) whether a family member serves as CEO, and (3) the presence of family representation on the board of directors.

A purposive sampling method was employed to ensure that the samples aligned with the research objectives. Several industries, such as financial, real estate, construction, mining, shipping, and aviation, were excluded due to differences in tax treatment, heavy regulation, and distinct financial reporting structures. Although this exclusion may limit the generalizability of findings to all sectors, it enhances the study's internal validity by ensuring firms' comparability within industries subject to similar taxation and reporting standards.

We excluded firms with negative earnings before tax (EBT) from 2016 to 2019, companies with financial statements not in Indonesian Rupiah, and firms lacking complete financial or annual reports. Outliers in tax avoidance measures – such as negative or above-one current ETR – were excluded, in line with Chen et al. (2010).

Table 1. Result of Sample Selection

Sample Criteria	No of observations
Companies listed on the IDX as of 2019	667
Eliminated companies in the following industries:	
• Financial Industry	(102)
• Real Estate and the Property Industry	(65)
• Construction Industry	(28)
• Shipping and the Aviation Industry	(26)
• Mining Industry	(42)
Eliminated companies with the following criteria	
Companies listed and delisted from 2016 to 2019	(111)
Companies that experienced losses from 2016 to 2019	(131)
Financial statements not reported in the Rupiah	(11)
Inaccessible data for the years 2016–2019	(3)
ETR > 1 and negative	(61)
Total number of companies to be tested	(87)
Research years 2016–2019	(4)
Number of company observation samples	348

Source: Research Data, 2025

After applying the exclusion criteria, the final sample consisted of 87 companies, resulting in 348 observations. The measurement of each research variable is outlined in the following equation:

The dependent variable in this study is tax avoidance, which is measured using multiple indicators. GAAP ETR, CETR, cash ETR, and book-tax differences based on total assets are used to measure these. GAAP ETR and CETR reflect the proportion of tax expenses to accounting profits, while cash ETR indicates actual cash taxes paid. BTD captures the discrepancy between accounting income and taxable income, indicating earnings management or tax planning strategies (Gebhart, 2017).

$$\text{GAAP ETR} = \frac{\text{Total Tax Expense}}{\text{Profit Before Tax}} \dots\dots\dots(1)$$

$$\text{CETR} = \frac{\text{Current Tax Expense}}{\text{Profit Before Tax}} \dots\dots\dots(2)$$

$$\text{CASH ETR} = \frac{\text{Cash Taxes Paid}}{\text{Profit Before Tax}} \dots\dots\dots(3)$$

$$\text{BTD Assets} = \frac{\text{Profit Before Tax} - \text{Taxable Income}}{\text{Total Assets}} \dots\dots\dots(4)$$

RPT is measured as the average proportion of related party sales to total sales and related party purchases to total purchases. This captures the intensity of intra-group transactions that may influence tax obligations (Wang et al., 2019). This focus assumes that tax avoidance is more likely to be realized through trade-related transactions, where profit shifting can directly affect reported earnings and tax obligations. Other types of RPT, such as loans or services, are excluded due to data limitations.

$$\text{RPT} = \frac{1}{2} + \left(\frac{\text{Related Party Sales}}{\text{Total Sales}} + \frac{\text{Total Purchases}}{\text{Related Party Purchases}} \right) \dots\dots\dots(5)$$

In this study, family ownership is the moderating variable and is measured by the percentage of shares held by family members to the total outstanding shares (Gaaya et al., 2017).

$$\text{FAM} = \frac{\text{Family-Owned Shares}}{\text{Total Outstanding Shares}} \dots\dots\dots(6)$$

Firm size is a control variable measured as the natural logarithm of total assets (Lin et al., 2014).

$$\text{SIZE} = \ln(\text{Total Assets}) \dots\dots\dots(7)$$

ROA is calculated as the ratio of net income to total assets, indicating the company's profitability (Lanis & Richardson, 2011).

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}} \dots\dots\dots(8)$$

Leverage is the ratio of long-term debt to total assets (Richardson et al., 2015).

$$\text{LEV} = \frac{\text{Total Longterm Debt}}{\text{Total Assets}} \dots\dots\dots(9)$$

The first model tests Hypothesis 1, which explores the positive effect of RPT on tax avoidance by controlling for company size, profitability, and leverage: $\text{TAXAVO}_{it} = \alpha + \beta_1 \text{RPT}_{it} + \beta_2 \text{SIZE}_{it} + \beta_3 \text{ROA}_{it} + \beta_4 \text{LEV}_{it} + \varepsilon_{it}$(10)

The second model tests Hypothesis 2, which states that family ownership moderates the effect of RPT on tax avoidance by controlling for company size, profitability, and leverage:

$$\text{TAXAVO}_{it} = \alpha + \beta_1 \text{RPT}_{it} + \beta_2 \text{RPT}_{it} * \beta_3 \text{FAM}_{it} + \beta_4 \text{FAM}_{it} + \beta_5 \text{SIZE}_{it} + \beta_6 \text{ROA}_{it} + \beta_7 \text{LEV}_{it} + \varepsilon_{it} \dots\dots\dots(11)$$

Description:

TAXAVO : Tax avoidance (GAAP ETR, CETR, Cash ETR, and Book-Tax Differences based on the total assets)
RPT : Related Party Transaction
FAM : Family ownership
RPT*FAM : Moderation in Family Owning
SIZE : Ln Total Asset
ROA : Return on Asset
The LEV : Leverage
 α : Constant
 β : Regression coefficient (beta)

RESULTS AND DISCUSSION

Descriptive statistical analysis offers an overview of the data under investigation's key characteristics. These statistics provide valuable insights into the distribution and variability of the data, which are essential for understanding the overall tendencies of the sample and the range of observations.

Table 2. Descriptive Statistics

Variable	Obs	Mean	Std Deviasi	Min	Max
TAXAVO:					
- GAAP ETR	348	0.2704	0.0909	0.0124	0.6649
- CETR	348	0.2352	0.1222	0.0000	0.8467
- Cash ETR	348	0.2940	0.1707	0.0000	0.9536
- BTD	348	0.0086	0.0416	-0.1023	0.2371
RPT	348	0.1083	0.1895	0.9355	0.9353
FAM	348	0.3095	0.3223	0.0000	0.9237
RPTFAM	348	0.0385	0.0981	0.0000	0.4830
SIZE	348	28.9137	1.7593	24.5683	33.4945
ROA	348	0.0862	0.0766	0.0075	0.5267
LEV	348	0.0776	0.1082	0.0000	0.4780

Source: Research Data, 2025

Table 2 presents the descriptive statistics for all variables analyzed in this study based on 348 observations. The average GAAP ETR was 27.03%, indicating that companies, on average, allocated just over a quarter of their pre-tax profits to tax expenses, with values ranging from 0.12% to 66.48%. CETR averaged 23.52%, while cash ETR was slightly higher at 29.40%, reflecting variability in actual tax paid versus reported tax obligations. The BTD average of 0.86% indicates a modest gap between accounting and taxable income, with extremes from -0.1% to 23.70%. RPTs showed a mean of 10.83%, with some firms engaging heavily (up to 93.53%) in such transactions. Family ownership (FAM) averaged 30.95%, while the interaction term RPTFAM averaged 3.85%, limited but notable moderation by FAM. SIZE, measured by the natural log of total assets, had a mean of 28.91, reflecting relatively large firms. Profitability (ROA) and leverage (the LEV)

averaged 8.62% and 8.62%, respectively, indicating a moderate use of long-term debt across the sample. These descriptive statistics provide insight into the distribution and variability of key financial and governance characteristics relevant to the study of tax avoidance behavior.

A normality test is conducted to ensure that the residuals follow an approximately normal distribution. This is evaluated using the skewness and kurtosis statistics. To address the normality issues in certain variables, such as TAXAVO, RPT, RPTFAM, and ROA, we winsorized these variables by 6%–8%. The 6–8% winsorization threshold was selected after testing alternative cut-offs, as it most effectively reduced skewness and kurtosis while preserving data variation. This adjustment improved the normality of TAXAVO, RPT, RPTFAM, and ROA without affecting their central tendencies significantly. Winsorization helps mitigate the influence of outliers by capping extreme values, thereby improving the normality of the data. The skewness and kurtosis results after winsorization are as follows:

Table 3. Normality Test Results

Variable	Skewness	Kurtosis
TAXAVO GAAP ETR	0.998477	3.456899
TAXAVO CETR	-0.972310	3.340654
TAXAVO Cash ETR	0.885366	3.280601
TAXAVO BTD	1.040969	3.633729
RPT	1.527338	3.794209
FAM	0.364040	1.492283
RPTFAM	2.170812	6.054025
SIZE	0.150769	2.813249
ROA	1.141447	3.624691
LEV	1.582332	4.699413

Source: Research Data, 2025

All variables, including tax avoidance (TAXAVO) for all measurements (GAAP ETR, current ETR, cash ETR, and BTD), related party transactions (RPT), family ownership (FAM), the interaction between family ownership and related party transactions (RPTFAM), ROA, SIZE, and leverage, exhibit skewness values below 3 and kurtosis values below 10. This confirms that the data are normally distributed and meet the normality test requirements.

A multicollinearity test was performed as part of the classic assumption testing. This test evaluates the Variance Inflation Factor (VIF) for each variable. A VIF value below 10 indicates the absence of multicollinearity. However, the SIZE variable exhibited multicollinearity issues with a VIF value of 371.35 and a tolerance value of 0.00247. Multicollinearity, indicated by tolerance values <0.10 and VIF of >10, was resolved by applying centering techniques (Hoerl & Kennard, 1970). The post-centering test results are presented in the table 4:

Table 4. Results of the Multicollinearity Test

Independent Variable	Model 1		Model 2	
	VIF	Tolerance	VIF	Tolerance
ROA	3.94	0.254067	3.94	0.253848
FAM	1.98	0.504435	2.81	0.355962
LEV	2.39	0.418916	2.39	0.418354
RPT	1.42	0.706195	3.19	0.313010
SIZE	1.48	0.673580	1.48	0.673578
RPT*FAM	-	-	3.43	0.291182
Mean VIF	3.08		3.57	

Source: Research Data, 2025

Based on the multicollinearity test results in Table 4 after applying the centering technique, the tolerance values for all independent variables are greater than 0.10, and each variable has a VIF value below 10, indicating that multicollinearity is no longer a concern.

For tax avoidance measured using the Book-Tax Difference (BTD), additional diagnostic tests were conducted due to the fixed effects regression model employed. The Wooldridge test for autocorrelation and the Breusch-Pagan-Godfrey test for heteroscedasticity revealed issues with both autocorrelation and heteroscedasticity in the initial analysis. However, the application of the Generalized Least Squares (GLS) method addressed these issues, effectively correcting the problems and ensuring the robustness of the model.

The regression analysis reveals that the relationship between RPT and tax avoidance varies depending on the tax avoidance measure used. Based on the results in Table 5, Panels A through D, for Model 1, the related party transaction (RPT) variable shows a significant negative relationship with GAAP ETR ($\beta = -0.013$, $p < 0.05$), indicating that higher RPT is associated with lower GAAP ETR values, which reflects higher tax avoidance, thus supporting H1. However, RPT does not exhibit a significant relationship with other tax avoidance measurements, such as CETR ($\beta = -0.58$, $p > 0.10$), Cash ETR ($\beta = -0.26$, $p > 0.10$), or BTD ($\beta = 0.326$, $p > 0.10$). This difference suggests that the impact of RPT on tax avoidance is more visible when considering total tax obligations, including deferred taxes, but less so when focusing only on current tax payments. In other words, RPT-driven tax strategies in Indonesia may operate more through deferrals than through immediate cash tax expense reductions.

Table 5. Result of the Hypothesis Test

Panel A - TAXAVO GAAP ETR as the dependent variable							
Independent Variable		Model 1			Model 2		
		Coefficient	Prob	Sig	Coefficient	Prob	Sig
RPT	-	-0.0714172	0.013	**	-0.10883	0.003	***
FAM	-	-0.0366799	0.027	**	-0.04124	0.008	***
RPT*FAM	+				0.22603	0.029	**
Control Variable							
SIZE	+	0.0016278	0.073		0.00032	0.920	
ROA	-	-0.7606137	0.000	***	-0.59588	0.000	***
The LEV	+	0.0151078	0.810		0.00814	0.838	
R-Squared	0.2063				0.2149		
Prob > chi2	0.0000				0.0000		
Panel B-TAXAVO CETR as the dependent variable							
Independent Variable		Model 1			Model 2		
		Coefficient	Prob	Sig	Coefficient	Prob	Sig
RPT	-	-0.020792	0.580		-0.00730	0.882	
FAM	-	-0.641771	0.021	**	-0.05599	0.047	**
RPT*FAM	-				-0.00045	0.998	
Control Variable							
SIZE	+	0.0176691	0.022	**	-0.21240	0.000	***
ROA	-	-0.5439351	0.000	***	0.429371	0.001	***
LEV	-	-0.0598422	0.538		0.107489	0.148	
R-Squared	0.1249				0.1584		
Prob > chi2	0.0000				0.0001		
Panel C-TAXAVO Cash ETR as the dependent variable							
Independent Variable		Model 1			Model 2		
		Coefficient	Prob	Sig	Coefficient	Prob	Sig
RPT	-	-0.070963	0.267		-0.15454	0.024	**
FAM	-	-0.015159	0.716		-0.03483	0.413	
RPT*FAM	+				0.46042	0.114	
Control Variable							
SIZE	+	0.0102194	0.308		0.10542	0.169	
ROA	-	-1.1613340	0.000	***	-1.03615	0.000	***
LEV	-	-0.0737431	0.551		-0.09143	0.390	
R-Squared	0.1173				0.1396		
Prob > chi2	0.0000				0.0000		
Panel D-TAXAVO BTD as the dependent variable							
Independent Variable		Model 1			Model 2		
		Coefficient	Prob	Sig	Coefficient	Prob	Sig
RPT	+	0.017323	0.326		0.24022	0.443	
FAM	-	-0.003507	0.926		-0.00381	0.930	
RPT*FAM	-				-0.23737	0.769	
Control Variable							
SIZE	-	-0.009057	0.126		-0.00899	0.126	
ROA	+	0.349423	0.000	***	0.34910	0.000	***
LEV	+	0.043389	0.147		0.42893	0.157	
R-Squared	0.0624				0.0574		
Prob > chi2	0.0000				0.0005		

Source: Research Data, 2025

The GAAP ETR reflects the total tax burden, including both current and deferred taxes, divided by the profit before tax. In contrast, other tax avoidance measures focus solely on current tax expenses. This explains why RPT has a significant effect on GAAP ETR but not on CETR, cash ETR, or BTDR—firms engaging in RPT are likely to leverage timing strategies, such as income deferrals, which reduce reported effective tax rates in the long term but do not always alter immediate tax cash flows. According to Yorke et al. (2016), tax avoidance extends beyond minimizing the current tax burden to include deferring tax liabilities through mechanisms like deferred taxes. Hanlon and Heitzman (2010) further argued that GAAP ETR encompasses the total tax burden, making it a better reflection of long-term tax avoidance strategies that aim to postpone tax payments rather than merely reducing current tax liabilities. Therefore, deferred taxes allow companies to delay tax payments without impacting their current accounting profits, which is a form of tax avoidance captured by GAAP ETR. For example, a family-owned manufacturing firm may engage in significant RPT sales with its subsidiaries, recording revenue in a lower-tax jurisdiction while deferring taxable income domestically. This would reduce GAAP ETR but leave CETR and cash ETR relatively unaffected.

Previous studies have noted the association between RPT and increased tax aggressiveness. The findings of this study align with those of Santoso (2023), who reported a significant positive correlation between the volume of RPT and corporate tax aggressiveness. Similarly, Vivaldi (2022) concluded that sales and purchase-related RPT positively impact tax avoidance in manufacturing companies. Sari et al. (2017) also found that higher tax avoidance is associated with lower ETR values and greater RPT volume. The consistency of these findings highlights that RPT, particularly in concentrated ownership contexts, remains a central channel for shifting profits and reducing long-term tax liabilities.

From the perspective of agency theory, RPT can be viewed as a tool for those in control of the company to secure personal benefits through tax savings (Kuo, 2022). This dynamic intensifies agency problems, as managers engaged in tax avoidance may not only be acting in the shareholders' interest but also to entrench their own positions. These findings contradict Pozzoli and Venuti (2014), who argued that RPT serves as an efficient mechanism to reduce transaction costs and optimize economic activities within corporate groups. In the Indonesian context, the negative coefficient between RPT and GAAP ETR reflects higher tax avoidance, supporting the view that RPTs are opportunistically used rather than efficiency-enhancing.

Given the transparency regulations surrounding RPT in Indonesia, the results indicate that RPT continues to be used as a mechanism for tax avoidance, particularly by deferring taxes to future periods. This further supports the interpretation that the negative GAAP ETR coefficients are evidence of aggressive tax avoidance behavior, where income recognition is shifted across entities or periods to minimize reported tax obligations.

In Model 2, the interaction between RPT and family ownership (RPTFAM) on tax avoidance shows a significant positive relationship with GAAP ETR ($\beta = 0.029$, $p < 0.05$), suggesting that family ownership moderates the relationship between RPT and tax avoidance when measured using GAAP ETR, thus

supporting H2. The positive coefficient here means that higher family ownership reduces the extent of tax avoidance associated with RPT, consistent with the idea that family firms avoid aggressive tax planning to protect their socioemotional wealth (SEW). However, this moderating effect was not significant for CETR ($\beta = 0.998$, $p > 0.10$), Cash ETR ($\beta = 0.114$, $p > 0.10$), or BTD ($\beta = 0.769$, $p > 0.10$). These findings support the interpretation that family ownership weakens the relationship between RPT and tax avoidance, which is consistent with the notion that family firms prioritize SEW. This aligns with Zellweger and Nason (2008) who argue that family businesses are closely tied to their family name, meaning any reputational damage to the company could negatively affect the family's image. This emphasis on SEW reflects family firms' broader concern about protecting their reputation and ensuring business sustainability (Berrone et al., 2012).

Family businesses are often cautious about practices, including tax avoidance strategies with reputational risks, that could threaten their SEW. Steijvers and Niskanen (2014) noted that family firms tend to be less aggressive in tax avoidance than non-family firms due to sensitivity to reputational consequences. This suggests that family-owned companies prefer conservative tax practices, reinforcing stakeholder trust and protecting their legacy. Their careful decision-making determines whether RPTs serve personal gain or business efficiency. For instance, unlike non-family corporations, a family-owned consumer goods company may deliberately report higher taxable income domestically to avoid reputational risks, even though it has extensive RPT opportunities.

These findings also resonate with Kuo (2022), who highlighted that family firms view tax payments as an important social contribution, supporting public goods such as health, education, and security. In this study, family ownership—measured solely by share ownership—demonstrates a tendency for family firms to act conservatively to preserve business continuity.

Additional sensitivity tests were conducted using alternative proxies and models to validate the robustness of the findings. In this sensitivity analysis, tax avoidance is measured using the Book-Tax Difference (BTD) with the ratio of taxable income as proposed by Guenther (2014). For the variable family ownership, a dummy measurement was applied based on three criteria: the proportion of share ownership, family members holding the position of CEO, and family representation on the board of directors, as outlined by Kuo (2022).

Table 6. Result of the sensitivity test

Independent Variable		TAXAVO BTD as the dependent variable					
		Model 1			Model 2		
		Coefficient	Prob	Sig	Coefficient	Prob	Sig
RPT	+	0.058280	0.719		-0.32840	0.051	*
FAM	-	-0.010942	0.881		-0.91240	0.264	
RPT*FAM					0.74979	0.007	**
Control Variable							
SIZE	-	0.090643	0.000		-0.08403	0.000	***
ROA	+	1.709428	0.001		1.542903	0.005	**
LEV	+	0.4443849	0.144		0.419616	0.175	
R-Squared	0.1094				0.1564		
Prob > chi2	0.0001				0.0000		

Source: Research Data, 2025

Based on the regression test results in Table 6, Model 1 confirms the consistency of the main findings, as there is no significant relationship between RPT and tax avoidance when measured using the Book-Tax Difference (BTD) asset ratio. However, in this additional test, Model 2 results diverge from the main analysis. Specifically, changes in the measurement of the family ownership variable – using the alternative criteria – reveal that family ownership strengthens the relationship between RPT and tax avoidance. This reversal highlights the moderating effect's sensitivity to how family ownership is defined. Agency problems may be amplified when family involvement is based not only on shares but also on active managerial roles, allowing families to leverage RPT for personal benefit.

The sensitivity test results contradict the main findings when we measure family ownership by the presence of family members as CEOs or board members. In such cases, family ownership strengthens the relationship between RPT and tax avoidance, indicating that when family members hold key executive roles, personal interests may be prioritized. This aligns with type II agency theory, in which the controlling family engages in profit-shifting activities through RPT. Thus, family ownership can either mitigate or intensify RPT-driven tax avoidance depending on whether families act as passive owners (protecting SEW) or active managers (pursuing private benefits). These results are consistent with those of Rakayana et al. (2021), who found type II agency problems, such as family firms, in Indonesia's concentrated ownership structures. Similarly, Martinez (2014) and Sari and Martani (2010) in Brazil and Indonesia, respectively, indicate that family firms are more likely to engage in tax avoidance than non-family companies.

CONCLUSION

This study investigates the relationship between RPT and tax avoidance and the moderating role of family ownership. The findings demonstrate that the relationship between RPT and tax avoidance varies according to the tax avoidance measure used. A positive relationship is observed when using GAAP ETR, indicating that deferred taxes facilitate tax avoidance, in line with agency theory, where tax avoidance benefits agents or controlling shareholders. This extends agency theory by showing that RPT can serve as a strategic tool for controlling shareholders to align their interests with those of shareholders and to actively shift tax burdens across reporting periods, highlighting the nuanced role of intra-group transactions in corporate governance. However, other tax-avoidance measures, such as CETR, cash ETR, and BTD, do not exhibit significant relationships, emphasizing the theoretical importance of distinguishing between short- and long-term tax-avoidance strategies and illustrating how different measurement proxies capture different aspects of tax planning behavior. Additionally, family ownership moderates the relationship between RPT and tax avoidance, thereby weakening the relationship when GAAP ETR is used. This is consistent with the socioemotional wealth perspective, where family firms are more cautious in conducting RPT to protect their reputation and ensure business continuity, particularly under strict transfer pricing regulations. The sensitivity tests show that when family members hold key executive positions, family ownership can strengthen the relationship between RPT and tax avoidance. This provides a

theoretical contribution by integrating type II agency theory with SEW, demonstrating that family control at the management level can shift behavior from conservative to opportunistic tax strategies, revealing ownership, control, and tax planning's nuanced interplay.

This study has several limitations that should be addressed in future research. First, the use of different tax avoidance measures, such as GAAP ETR, cash ETR, BTDR, and CETR, yielded varying results, highlighting the importance of selecting appropriate measures to avoid misinterpretation. However, this study is limited by data constraints and period bias, as it only covers the 2016–2019 timeframe, which may not capture the full effect of subsequent tax policy changes and economic conditions. Second, focusing solely on sales and purchase transactions as the primary form of RPT may overlook other types of transactions, such as services and intercompany loans. Future research should specifically target these gaps by examining underexplored RPT types, which could reveal new tax-avoidance behavior dimensions. Finally, the study is confined to the 2016–2019 period, excluding the potential impact of changes in tax policy and economic conditions in subsequent years. Expanding the study period would provide deeper insights into temporal variations in RPT-related tax avoidance and the influence of evolving regulatory environments. Future research should consider employing more comprehensive tax avoidance measures, expanding the scope of RPT, and analyzing family versus non-family firms over a broader timeframe. The implications of this study are both theoretical and practical. Theoretically, the findings contribute new insights into the relationship between RPT and tax avoidance, suggesting that contextual factors, such as tax policy and TPRs, play a significant role. From a policy perspective, regulatory recommendations could be more actionable by, for instance, suggesting specific monitoring protocols, thresholds for related-party transaction reporting, or targeted audits for high-RPT firms to effectively curb tax avoidance. To mitigate the risk of tax penalties, companies with high levels of RPT should exercise caution in their transfer pricing practices, ensuring compliance with regulations to reduce audit risks and improve operational efficiency.

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