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RESEARCH ARTICLE

The Effect of Financial Distress, Earnings Management, and Transfer Pricing on Tax Avoidance (Empirical Study of Mining Companies Listed on the Indonesia Stock Exchange for the 2020–2024 Period)

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ABSTRACT

The mining sector exhibits structural vulnerabilities to market fluctuations and evolving tax regulations, posing challenges to corporate tax liability management. This empirical study analyzes the effects of financial distress, earnings management, and transfer pricing on tax avoidance among mining companies listed on the Indonesia Stock Exchange during 2020–2024. Employing a quantitative research design with secondary data from corporate annual reports, a sample of 29 mining companies yielding 145 firm-year observations was selected through purposive sampling. Tax avoidance was measured using the Effective Tax Rate, financial distress using the Altman Z-Score, earnings management using discretionary accruals based on the Modified Jones Model, and transfer pricing using Related Party Transactions calculated as the ratio of related-party receivables to total receivables. Multiple linear regression analysis revealed that financial distress has a negative and significant effect on the Effective Tax Rate ($B = -0.005$, $p < 0.001$), as companies experiencing financial distress tend to prioritize business continuity and minimize additional risks such as tax sanctions, whereas companies with stronger financial conditions have greater flexibility to conduct tax planning, resulting in lower tax rates. Earnings management also showed a negative and significant effect ($B = -0.511$, $p < 0.001$). In contrast, transfer pricing has no effect on tax avoidance ($B = 0.007$, $p = 0.800$). These findings provide empirical evidence on the determinants of tax avoidance in the Indonesian mining sector, offering valuable considerations for management and tax authorities to evaluate tax risks based on financial conditions, accrual characteristics, and related-party transactions.

Keywords: *financial distress; earnings management; transfer pricing; tax avoidance.*

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1. Introduction

Taxation is a major source of government revenue and plays an important role in corporate financial decision-making. For companies, tax payments reduce after-tax income and may influence managerial decisions regarding business operations, financing, investment, and tax planning. Tax avoidance refers to efforts to reduce tax liabilities through legally permissible methods by exploiting gaps or ambiguities in tax regulations [1]. Although tax avoidance may reduce corporate tax burdens, excessive tax planning may expose companies to legal, financial, and reputational risks. This issue is particularly relevant in the mining sector because mining companies generally require substantial capital, operate with significant assets and equipment, and are exposed to fluctuations in commodity prices and regulatory conditions. These characteristics may result in differences in corporate financial conditions and tax policies over time. In Indonesia, the fluctuation in the mining sector's contribution to tax revenue highlights the importance of examining the factors underlying corporate tax behavior in the sector.

Table 1. Sectoral Contribution to Tax Revenue (%).

Sector	***2020***	***2021***	***2022***	***2023***	***2024***
Manufacturing Industry	*23.4*	*29.6*	*28.7*	*26.9*	*25.8*
Trade	*16.1*	*22.0*	*23.8*	*24.4*	*25.7*
Financial & Insurance Services	*12.1*	*12.9*	*10.6*	*11.5*	*13.1*
Mining	*3.0*	*5.0*	*8.3*	*9.4*	*6.0*
Construction & Real Estate	*5.5*	*5.9*	*4.1*	*4.4*	*4.8*

Source: APBN Kita data processed, (2026)

Based on Table 1, the contribution of the mining sector to tax revenue increased from 3.0% in 2020 to 5.0% in 2021, 8.3% in 2022, and 9.4% in 2023, before declining to 6.0% in 2024. The pattern indicates that the sector's contribution was not stable throughout the observation period. Beyond the fluctuation in tax contributions, the mining sector has also been associated with tax-related issues arising from the complexity of tax treatment in mining-related transactions. In Indonesia, a tax-related phenomenon in 2021 involved gold imports associated with PT Aneka Tambang Tbk (ANTAM), valued at approximately Rp47.1 trillion. The case raised questions regarding HS Code classification and import-tax treatment. However, the Directorate General of Customs and Excise stated that the classification and tax treatment complied with applicable procedures, while ANTAM explained that the imported gold casting bars were used as raw materials and classified under HS Code 7108.12.10 [2]. Although the case does not constitute established evidence of Tax Avoidance, it highlights the complexity of tax treatment in mining transactions and the importance of examining factors influencing Tax Avoidance in the mining sector.

In addition to external tax and regulatory conditions, tax-related decisions may also be influenced by internal managerial considerations. The relationship between corporate financial conditions and tax avoidance can be explained through agency theory, as introduced by Jensen and Meckling. Differences in interests and information between principals and agents provide management with discretion in financial reporting, tax planning, and operational decision-making. Against this background, three firm-level factors are particularly relevant to tax avoidance: Financial Distress, Earnings Management, and Transfer Pricing. Financial distress refers to a condition in which a company experiences financial difficulties that may impair its ability to meet financial and operational obligations. Under such conditions, management faces pressure to maintain liquidity, protect firm value, and manage tax expenses. However, empirical findings remain inconsistent. Gita et al. [3] found that Financial Distress has a positive effect on Tax Avoidance, whereas Miswaty et al. [4] reported a negative effect. Other studies found no significant effect. These inconsistent findings suggest that the relationship may vary according to industry characteristics, observation periods, and measurement approaches.

Similarly, Earnings Management may also be associated with Tax Avoidance. Managerial discretion in accounting estimates, accruals, revenue recognition, and expense recognition can influence reported earnings and potentially affect tax-related decisions. However, Earnings Management is not necessarily conducted to reduce tax liabilities, as it may also serve financial reporting objectives, managerial interests, and efforts to influence investors' and creditors' perceptions. Previous studies have also reported inconsistent findings. Nguyen et al. [5] found a positive relationship between Earnings Management and Tax Avoidance, whereas Ristiyana et al. [6] found a negative relationship. Another relevant factor is Transfer Pricing because transactions between related parties may affect the allocation of income and expenses within a business group. Although Transfer Pricing may be conducted for legitimate business purposes, it may also be used as part of tax planning by affecting the allocation of taxable income across jurisdictions. Previous studies have reported inconsistent findings regarding the effect of Transfer Pricing on Tax Avoidance. Mukarramah and Nugroho [7] found a negative and significant effect, whereas Akbar and Patmawati [8] found no significant effect. These inconsistent findings indicate a research gap and warrant further examination of the relationship between Transfer Pricing and Tax Avoidance, particularly in the mining sector.

Given these inconsistencies, a research gap remains regarding the effects of Financial Distress, Earnings Management, and Transfer Pricing on Tax Avoidance, particularly among mining companies listed on the Indonesia Stock Exchange during 2020–2024. Therefore, this study examines the effects of Financial Distress, Earnings Management, and Transfer Pricing on Tax Avoidance in Indonesian mining companies. The research questions are as follows:

1. Does Financial Distress affect Tax Avoidance?
2. Does Earnings Management affect Tax Avoidance?
3. Does Transfer Pricing affect Tax Avoidance?

This study employs a quantitative approach using data obtained from company annual reports. Multiple linear regression is used to examine the proposed relationships among the variables. The remainder of this article presents the relevant background and related work, research methodology, results and discussion, and conclusion.

1.1 Background and Related Work

1.1.1 Agency Theory

Agency theory was first introduced by Jensen and Meckling in 1976 [9]. The theory explains the relationship between company owners as principals and managers as agents, in which authority to make decisions is entrusted to management on behalf of the owners. Differences in interests and unequal access to company information may create conflicts between the two parties. Managers generally possess more detailed information about the company and have greater influence over strategic decisions. In relation to tax avoidance, managers may consider reducing tax payments as a means of improving the company's after-tax results, whereas shareholders may be concerned about the risks associated with aggressive tax strategies. Similar agency considerations may influence decisions related to financial distress, earnings management, and transfer pricing. Financial distress may affect management's approach to tax decisions, while managerial discretion in earnings management and transfer pricing may influence financial reporting and related-party transactions. Thus, agency theory provides a basis for understanding the connection between managerial interests, information asymmetry, and tax avoidance.

1.1.2 Tax Avoidance

Tax avoidance refers to actions taken by taxpayers to reduce their tax liabilities by utilizing opportunities provided within applicable tax regulations. Such practices may involve the use of tax facilities, exemptions, deductions, or areas of uncertainty in tax provisions [10]. These actions are generally associated with tax planning because their purpose is to minimize tax obligations through methods that remain within the applicable regulatory framework. From an agency perspective, tax avoidance can be viewed as a managerial decision aimed at improving after-tax profitability and potentially increasing shareholder value [11]. Accordingly, tax avoidance reflects management's discretion in selecting tax strategies while weighing the potential benefits of lower tax expenses against the consequences that may arise from their implementation.

1.1.3 Financial Distress and Tax Avoidance

Financial distress describes a condition in which a company experiences financial pressure, characterized by a significant decline in profitability that may result in negative earnings [12]. This condition may affect the company's ability to conduct operations, fulfill financial obligations, and maintain business continuity. Increasing financial pressure may influence management's decisions regarding appropriate tax policies. From an agency perspective, managers act as agents with the authority to make corporate decisions while considering the interests of shareholders as principals. Companies experiencing financial distress may consider tax savings as a means of alleviating financial pressure; however, tax strategies involving greater risks may expose the company to tax audits, penalties, and reputational consequences. Such considerations may encourage management to adopt a more cautious approach in formulating tax policies and evaluating the potential risks associated with tax avoidance.

H1: Financial Distress has a negative effect on Tax Avoidance

1.1.4 Earnings Management and Tax Avoidance

Earnings management refers to the use of managerial discretion in financial reporting to influence reported earnings for various purposes, including influencing investor and creditor perceptions, increasing managerial compensation, avoiding violations of loan agreements, and reducing regulatory cost [13]. In relation to tax avoidance, earnings management concerns the use of accounting discretion that affects reported earnings and may be associated with the company's tax-related decisions. From an agency theory perspective, earnings management reflects conflicts of interest between principals and

agents. Managers possess greater information and authority over financial reporting, creating information asymmetry that provides flexibility in applying accounting policies and may encourage managerial discretion in pursuing certain interests. However, earnings management is not necessarily intended to reduce tax liabilities, as it is primarily associated with financial reporting objectives, whereas tax avoidance concerns efforts to reduce the company's tax burden through tax strategies.

H2: Earnings Management has a negative effect on Tax Avoidance.

1.1.5 Transfer Pricing and Tax Avoidance

Transfer pricing refers to the determination of prices for transactions between affiliated or related parties. In taxation, the arm's length principle is applied to ensure that such transactions are conducted under conditions comparable to those between independent parties and to prevent inappropriate profit shifting to lower-tax jurisdictions [14]. Although transfer pricing is not inherently a tax avoidance practice and may serve legitimate business purposes, particularly in allocating resources among related entities, it may also be associated with tax avoidance when transaction arrangements are used to shift profits from higher-tax to lower-tax jurisdictions. This possibility becomes more relevant when companies engage extensively in intragroup transactions, as the determination of transaction prices may affect the allocation of income and expenses among related entities. From an agency theory perspective, managers as agents have greater access to information and authority over corporate decisions, including decisions concerning related-party transactions. Such discretion may influence the company's tax strategy by affecting the allocation of profits and, consequently, its tax burden.

H3: Transfer Pricing has a positive effect on Tax Avoidance.

1.1.6 Past Research

Previous studies on Financial Distress and Tax Avoidance by Komariah & Herliansyah [15], Miswaty et al. [4], and Ariff et al. [16] found a negative and significant effect, while Gita et al. [3], Sadjiarto et al. [17], and Khan & Nawaz [18] found a positive and significant effect. Meanwhile, Akbar & Patmawati [8] and Pratiwi & Fauzan [19] found no significant effect of Financial Distress on Tax Avoidance. Previous studies on Earnings Management show inconsistent results. Ristiyana et al. [6] and Ilham & Afridayani [20] found a negative and significant effect on Tax Avoidance, whereas Nguyen et al. [5], Mai et al. [21], and Mukarramah & Nugroho [7] found a positive and significant effect. Meanwhile, Indriyani & Handayani [22], Komariah & Herliansyah [15], and Miswaty et al. [4] found no significant effect. Furthermore, studies on Transfer Pricing by Gita et al. [3] and Sadjiarto et al. [17] found a negative and significant effect on Tax Avoidance, while Akbar & Patmawati [8] and Pratiwi & Fauzan [19] found no significant effect. Ramadhan & Purnamasari [23] and Mukarramah & Nugroho [7] found a significant effect, indicating inconsistent findings regarding the relationship between Transfer Pricing and Tax Avoidance.

1.1.7 Framework

Based on the hypotheses developed from the theoretical framework and previous studies, the conceptual framework of this study is presented as follows:

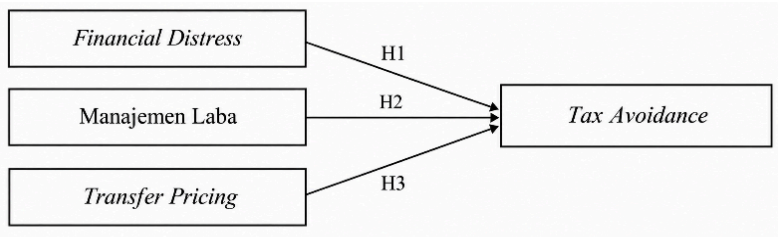


Figure 1. Framework

2. Materials and Methods

2.1 Variable Measurement

This study measures the variables of financial distress, earnings management, transfer pricing, and tax avoidance. The operationalization of each variable is based on measurement indicators adopted from previous studies. Tax avoidance is measured using the Effective Tax Rate (ETR), calculated as the ratio of total tax expense to profit before tax, referring to [24]. Financial distress is measured using the modified Altman Z-Score model, which is adjusted to the characteristics of non-manufacturing companies, including mining companies [25]. Earnings management is measured using discretionary accruals (DA) based on the Modified Jones Model [7]. The calculation of discretionary accruals involves determining total accruals from the difference between net income and operating cash flow, estimating nondiscretionary accruals, and subsequently determining discretionary accruals. Meanwhile, transfer pricing is measured using the ratio of related-party receivables to total receivables, representing related-party transaction intensity [23]. The data used in this study are obtained from the annual reports of mining companies listed on the Indonesia Stock Exchange (IDX) during 2020–2024. A summary of the variable measurements and data sources is presented in Table 2.

Table 2. Variable Measurement

No	*Variable*	*Indicator*	*Scale*
1	*Tax Avoidance*	$ETR = \frac{Tax\ Expense}{Earning\ Before\ Tax}$	*Ratio*
2	*Financial Distress*	$Z'Score = 6{,}56X_1 + 3{,}26X_2 + 6{,}72X_3 + 1{,}05X_4$	*Ratio*
3	*Earnings Management*	$DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$	*Ratio*
4	*Transfer Pricing*	$Transfer\ Pricing = \frac{Receivables\ from\ Related\ Parties}{Total\ Receivables}\%$	*Ratio*

2.2 Population and Research Sample

The study population consists of mining companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The sample was selected using a purposive sampling method, in which companies were selected based on specific criteria relevant to the research objectives. The sample selection was

based on four criteria: (1) mining companies listed on the IDX until 2024 period; (2) mining companies that published financial statements consistently during the 2020–2024 period; (3) mining companies that reported positive earnings during the 2020–2024 period; and (4) mining companies that had related-party transactions during the 2020–2024 period.

Based on these criteria, 29 mining companies met the requirements and were selected as the research sample. The study covers a five-year period from 2020 to 2024, resulting in a total of 145 firm-year observations. The details of the sample selection are presented in Table 3.

Table 3. Determination of Research Sample

Criteria	***Sum***
Mining companies listed on the Indonesia Stock Exchange (IDX) until 2024	*82*
Mining companies that do not publish their financial statements consistently during the 2020-2024 period	*(16)*
Mining companies that reported negative earnings during the 2020-2024 period	*(32)*
Companies that have no history of related transactions during 2020-2024	*(5)*
Total Sample	*29*
Year of Observation (2020 – 2024)	*5*
Total Research Data	*145*

Source: IDX data processed, (2026)

2.3 Analysis Method

Data analysis was conducted using IBM SPSS Statistics version 26. This study employed multiple linear regression to examine the effects of financial distress, earnings management, and transfer pricing on tax avoidance. The data analysis process consisted of descriptive statistics, classical assumption tests, model testing, and hypothesis testing. First, descriptive statistics were used to provide an overview of the characteristics of the research data. Second, classical assumption tests were conducted, consisting of normality, multicollinearity, heteroscedasticity, and autocorrelation tests. The normality test was conducted using the One-Sample Kolmogorov–Smirnov test, while multicollinearity was assessed using Tolerance and Variance Inflation Factor (VIF) values. Heteroscedasticity was examined using the Glejser test, while autocorrelation was tested using the Durbin–Watson test. Third, model testing was conducted using the coefficient of determination (R^2) and the F-test to assess the explanatory power of the regression model and the statistical significance of the model as a whole. Finally, the t-test was used to examine the partial effects of financial distress, earnings management, and transfer pricing on tax avoidance. The significance level for hypothesis testing was set at 5% ($\alpha = 0.05$).

3. Results and Discussion

3.1 Results

3.1.1 Descriptive Statistics

Descriptive statistics were used to describe the characteristics and distribution of the research variables based on the minimum, maximum, mean, and standard deviation values. The study used secondary data obtained from the financial reports of 29 mining companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period, resulting in 145 observations. The variables examined in this study were tax avoidance, financial distress, earnings management, and transfer pricing. Data analysis was conducted using IBM SPSS Statistics version 26, and the results are presented in Table 4.

Table 4. Descriptive Statistics

	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
Tax Avoidance	*145*	-1.9318	0.8158	0.237841	0.2415118
Financial Distress	*145*	-3.1361	123.4719	9.278806	12.5640555
Earnings Management	*145*	-0.2061	0.3800	0.002599	0.0902066
Transfer Pricing	*145*	0.0000	1.0000	0.254092	0.329838
Valid N (listwise)	*145*				

Source: Data processed through SPSS 26, (2026)

Table 4 shows the descriptive statistics of the research variables. Tax avoidance, measured using the Effective Tax Rate (ETR), has a mean value of 0.237841, with minimum and maximum values of -1.9318 and 0.8158, respectively. The mean ETR indicates that the sampled companies had an average effective tax rate of 23.78%, while the standard deviation of 0.2415118 indicates substantial variation in ETR across the observations.

Financial distress, measured using the Altman Z-Score, has a mean value of 9.278806, with minimum and maximum values of -3.1361 and 123.4719, respectively. The mean Z-Score indicates that the sampled companies were, on average, in a relatively healthy financial condition. However, the standard deviation of 12.5640555, which exceeds the mean value, indicates substantial variation in financial conditions among the sampled companies.

Earnings management, measured using discretionary accruals, has a mean value of 0.002599, with minimum and maximum values of -0.2061 and 0.3800, respectively. The mean value, which is close to zero, indicates a relatively low average level of discretionary accruals in the sample. The standard deviation of 0.0902066 indicates considerable variation in earnings management across observations.

Transfer pricing, measured using the proportion of related party receivables to total receivables, has a mean value of 0.254092, ranging from 0.0000 to 1.0000. This indicates that related party receivables accounted for an average of 25.41% of total receivables. The standard deviation of 0.329838, which is higher than the mean, indicates substantial variation in the proportion of related party transactions among the sampled companies.

Following data treatment, including data transformation and adjustment of observations to address the classical assumption requirements, the number of complete observations used in the final regression analysis decreased from 145 to 142. Therefore, the descriptive statistics presented in Table 4 describe the characteristics of the original research data, while the treated data were subsequently used in the final regression analysis.

3.1.2 Classical Assumption Test

The classical assumption tests were conducted to ensure that the regression model met the requirements for reliable estimation. The tests included normality, multicollinearity, heteroscedasticity, and autocorrelation tests. The results are presented in Table 5.

Table 5. Classical Assumption Test

Testing	***Result***	***Conclusion***
Normality	*Asymp. Sig. (2-tailed) 0.200 > 0.05*	*Normally distributed data*
Multicollinearity	*Tolerance (FD) 0.976, (EM) 0.996, (TP) 0.979 >* 0.10 *VIF values (FD) 1.025, (EM) 1.004, (TP) 1.021 < 10*	*Multicollinearity does not occur*
Heteroscedasticity	*significance (FD) 0.192, (EM) 0.823, (TP) 0.787 > 0.05*	*Heteroscedasticity does not occur*
Autocorrelation	*dU < **DW** < 4 − dU (1.7691 < **2.005** < 2.2309)*	*Autocorrelation does not occur*

Source: Data processed through SPSS 26, (2026)

Based on the normality test, the initial model obtained an Asymp. Sig. (2-tailed) value of 0.000, indicating that the residuals were not normally distributed. After data transformation, the Asymp. Sig. (2-tailed) value increased to 0.200, exceeding the 0.05 significance level. Thus, the residuals were normally distributed, and the normality assumption was fulfilled. The transformation reduced the number of observations from 145 to 144. The multicollinearity test showed that the Tolerance values for Financial Distress, Earnings Management, and Transfer Pricing were 0.976, 0.996, and 0.979, respectively, while the VIF values were 1.025, 1.004, and 1.021. All Tolerance values exceeded 0.10 and all VIF values were below 10, indicating that the regression model did not have multicollinearity problems. The heteroscedasticity test was conducted using the Glejser test. The significance values for Financial Distress, Earnings Management, and Transfer Pricing were 0.192, 0.823, and 0.787, respectively. Since all significance values were greater than 0.05, the regression model was considered free from heteroscedasticity. The autocorrelation test was initially performed using the Durbin-Watson test and produced a value of 1.147, which was lower than dL = 1.6854 and dU = 1.7704, indicating the presence of autocorrelation. Therefore, the Cochrane-Orcutt procedure was applied to address the autocorrelation problem. This treatment reduced the number of observations from 144, following the normality data transformation, to 142 observations. After the treatment, the Durbin-Watson value increased to 2.005. With n = 142 and k = 3, dL was 1.6829 and dU was 1.7691. Since 1.7691 < 2.005 < 2.2309 (4 − dU), the regression model was considered free from autocorrelation. Thus, the final 142 observations were used in the final regression analysis.

3.1.3 Determinant Coefficient Test Results (R^2)

The coefficient of determination test was conducted to assess the extent to which the independent variables explain the variation in the dependent variable. The Adjusted R-Square value is 0.347, indicating that Financial Distress, Earnings Management, and Transfer Pricing collectively explain 34.7% of the variation in Tax Avoidance. The remaining 65.3% is explained by other factors not included in the research model.

3.1.4 Model Feasibility Test Results (F Test)

Table 6. Model Feasibility Test Results (F Test)

Model		F	Sig.
1	Regression	26.027	0.000[b]

Source: Data processed through SPSS 26, (2026)

The F-test was conducted to evaluate the feasibility of the regression model in explaining the relationship among the research variables. Based on the results, the F-statistic is 26.027, which is greater than the F-table value of 2.67, with a significance value of 0.000, which is below the 0.05 significance level. Therefore, the regression model is considered feasible and adequate for explaining the relationship among Financial Distress, Earnings Management, Transfer Pricing, and Tax Avoidance.

3.1.5 t-Statistic Test Results (t-Test)

Table 7. t-Statistic Test Results (t-Test)

		Unstandardized Coefficients		Standardized Coefficients	***t***	***Sig.***
Model		***B***	***Std. Error***	Beta		
1	(Constant)	0.162	0.008		19.109	0.000
	Financial Distress	-0.005	0.001	-0.383	-5.562	0.000
	Earnings Management	-0.511	0.079	-0.443	-6.499	0.000
	Transfer Pricing	0.007	0.028	0.017	0.254	0.800

Source: Data processed through SPSS 26, (2026)

The t-test was conducted to examine the partial effect of each independent variable on Tax Avoidance. The regression equation is as follows:

TA (ETR) = 0.162 – 0.005FD – 0.511EM + 0.007TP + e

The Financial Distress variable shows that the absolute t-statistic value of |-5.562| is greater than the t-table value of 1.977, with a significance value of 0.000, which is less than 0.05. Therefore, H1 is accepted. The findings indicate that Financial Distress has a negative and significant effect on Effective Tax Rate (ETR), which is used as a proxy for Tax Avoidance, with a regression coefficient of -0.005.

The Earnings Management variable shows that the absolute t-statistic value of |-6.499| is greater than the t-table value of 1.977, with a significance value of 0.000, which is less than 0.05. Therefore, H2 is accepted. The results indicate that Earnings Management has a negative and significant effect on Effective Tax Rate (ETR), which is used as a proxy for Tax Avoidance, with a regression coefficient of -0.511.

The Transfer Pricing variable shows that the t-statistic value of 0.254 is less than the t-table value of 1.977, with a significance value of 0.800, which is greater than 0.05. Therefore, H3 is rejected. The results indicate that Transfer Pricing does not have an effect on Effective Tax Rate (ETR), which is used as a proxy for Tax Avoidance. The regression coefficient is 0.007, indicating a positive relationship.

3.2 Discussion

3.2.1 Effect of Financial Distress on Tax Avoidance

The results indicate that Financial Distress, measured using the Altman Z-Score, has a negative and significant effect on Effective Tax Rate (ETR) as a proxy for Tax Avoidance. Therefore, H1 is accepted. Companies experiencing financial distress tend to prioritize business continuity and minimize additional risks, including potential tax sanctions and financial penalties. In contrast, companies with stronger financial conditions have greater flexibility to conduct tax planning in accordance with applicable regulations, which may result in lower ETR. This finding is consistent with agency theory, in which management has the authority to make decisions while considering the interests of shareholders and the continuity of the company. The sampled mining companies showed variations in financial conditions during 2020–2024, indicating differences in their financial flexibility and tax policies. This finding is consistent with Komariah & Herliansyah [15], Miswaty et al. [4], and Ariff et al. [16], but differs from Akbar & Patmawati [8] and Pratiwi & Fauzan [19], which found no effect of Financial Distress on Tax Avoidance.

3.2.2 Effect of Earnings Management on Tax Avoidance

The results indicate that Earnings Management, measured using Discretionary Accruals (DA), has a negative and significant effect on Effective Tax Rate (ETR) as a proxy for Tax Avoidance. Therefore, H2 is accepted. The use of discretionary accruals reflects management's discretion in accounting decisions that can affect reported earnings and the company's tax burden. However, earnings management is not necessarily conducted to reduce taxes, as it may also serve financial reporting objectives, such as maintaining earnings stability and meeting performance targets. This finding is consistent with agency theory, which explains that management has discretion over financial reporting and accounting policies. Variations in DA among the sampled mining companies indicate differences in the use of accounting discretion across companies and periods. The finding is consistent with Mukarramah & Nugroho [7], Ristiyana et al. [6], and Ilham & Afridayani [20], but differs from Indriyani & Handayani [22] and Komariah & Herliansyah [15], which found no effect of Earnings Management on Tax Avoidance.

3.2.3 Effect of Transfer Pricing on Tax Avoidance

The results indicate that Transfer Pricing, measured using Related Party Transactions (RPT), has no effect on Effective Tax Rate (ETR) as a proxy for Tax Avoidance. Therefore, H3 is rejected. Related Party Transactions may be conducted for legitimate operational and business purposes, such as providing goods or services, financing, and managing receivables among related entities, and therefore do not necessarily indicate an intention to reduce tax liabilities. This finding is consistent with agency theory, in which management has authority over operational and financial decisions involving related parties. Differences in RPT among the sampled mining companies indicate varying levels of related party transactions that may reflect business needs rather than tax avoidance practices. This finding is consistent with Akbar & Patmawati [8] and Pratiwi & Fauzan [19], but differs from Gita et al. [3], Ramadhan & Purnamasari [23], and Mukarramah & Nugroho [7], which found that Transfer Pricing affects Tax Avoidance.

4. Conclusion

This study examines the effects of Financial Distress, Earnings Management, and Transfer Pricing on Tax Avoidance in mining companies listed on the Indonesia Stock Exchange during 2020–2024. The results show that Financial Distress and Earnings Management have negative and significant effects on Effective Tax Rate (ETR) as a proxy for Tax Avoidance, while Transfer Pricing has no effect on Effective Tax Rate (ETR) as a proxy for Tax Avoidance. These findings contribute to understanding how financial conditions, accounting discretion, and related party transactions are associated with corporate tax policies in the mining sector. The findings imply that companies should strengthen tax planning and financial reporting while maintaining tax compliance, while investors and tax authorities may consider financial and related-party transaction information in their assessments. This study is limited to mining companies and the 2020–2024 observation period. Future research may extend the period and sectors, include additional variables, and apply alternative measurements to obtain more comprehensive evidence.

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