

DETERMINANTS OF STATE TAX HAVEN UTILIZATION: EMPIRICAL STUDY ON BANKING COMPANIES

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ABSTRACT

Research Purposes. This study aims to test the determinants of the utilization of tax haven countries. The determinants are multinational companies, intangible assets, and good corporate governance (GCG). We use bank healthy rate as control variable.

Research Methods. The research is quantitative research, with the population is banks listed on the Indonesia Stock Exchange 2016-2020. The sample used as many as 125 banking companies with purposive sampling technique. Hypothesis testing using logistic regression analysis.

Research Results and Findings. The results show that intangible assets have a positive effect on the use of tax haven countries. Multinational, GCG, and performance have no effect on the utilization of tax haven countries. This study concludes that banks use their intangible assets to reap the tax facilities in tax haven countries.

ABSTRAK

Tujuan Penelitian. Penelitian ini bertujuan untuk menguji determinan-determinan yang mempengaruhi pemanfaatan negara-negara tax haven. Determinan yang diuji adalah multinasional, aset tidak berwujud, dan good corporate governance (GCG). Model penelitian memasukkan tingkat kesehatan bank sebagai variabel kontrol.

Metode Penelitian. Penelitian ini merupakan penelitian kuantitatif dengan populasi penelitian yaitu perbankan yang terdaftar di Bursa Efek Indonesia 2016-2020. Sampel yang digunakan sebanyak 125 perusahaan perbankan dengan teknik purposive sampling. Pengujian hipotesis menggunakan analisis regresi logistik.

Hasil Penelitian dan Temuan Penelitian. Hasil penelitian menunjukkan bahwa aset tidak berwujud berpengaruh positif terhadap pemanfaatan negara tax haven. Multinasional, GCG, dan kinerja tidak berpengaruh terhadap pemanfaatan negara tax haven. Penelitian ini menyimpulkan bahwa bank menggunakan aset tidak berwujudnya untuk memanfaatkan insentif perpajakan di negara tax haven.

INTRODUCTION

Utilization of a tax haven country is a transaction carried out by a particular party, which is related to affiliated transactions with countries that do not collect taxes or have low tax rates. The goal is for a country to provide tax protection. This causes loopholes to emerge for many companies that want to minimize their tax burden. The tax burden can be reduced by transferring assets owned to subsidiaries operating in tax haven countries. The motivation for reducing the tax burden is carried out because a company wants to be superior in making profits (Richardson & Taylor, 2015).

Banking is an industry that handles money transactions through cash or credit. Banking also

provides a safe place to store savings, certificates, and checking accounts. The goal is for banks to provide loans. This sector is quite promising if used to exploit tax haven countries by taking advantage of low tax rates to establish and expand employment opportunities in tax haven countries. As a result, banks can make profits because banking services are a significant source of income for tax haven countries. Banks can also make remittances. Remittance is a transaction that banks can carry out by transferring money in the form of foreign currency in the form of sending or receiving as well as requesting drafts from abroad or domestically (Hines Jr., 2005).

The phenomenon of banks' use of tax haven countries in Indonesia can be demonstrated

through the Century Bank case. The case explains that Robert Tantular had kept much of his funds in Chinkara. This company was a shareholder of Bank Century when it was still called Bank Century Interinvest Corporation (CIC). Robert often sets up several subsidiary businesses in tax haven countries. Chinkara Capital held 9.55% of Century Bank shares before it was taken over by the Deposit Insurance Corporation (LPS) through First Gulf Asia Holdings Ltd. or Chinkara Capital. The countries that Robert has visited in establishing his subsidiaries include Singapore, Arabia, Pakistan, Mauritius, British Virgin Islands and China. Robert also owns an island located in western Europe, which is worth around US\$ 16,5 million. Robert Tantular is now the main suspect in the embezzlement of Century Bank funds amounting to Rp. 1,4 trillion, and Antaboga mutual funds amounting to Rp. 1,3 trillion (Robert Tantular dan Kisruh Century, 2009).

Multinationals hold companies that have affiliated transactions with branch companies, creating an opening for companies to take advantage of tax haven countries. Banks can usually transfer assets to other banks with affiliated transactions, especially in tax haven countries, so companies can recognize losses in company profits to avoid paying tax burdens and transferring assets owned to subsidiary companies (Klassen et al., 1993). Richardson & Taylor (2015) and Akamah et al. (2017) show that multinationals have a positive effect on the use of tax haven countries, while Nurhidayati & Fuadillah (2018) and Nugraha & Kristanto (2019) prove that multinationals do not affect the use of tax haven countries.

Intangible assets owned by companies can provide an opening for the banking industry to utilize tax haven countries. This is because a bank's intangible assets have a unique value that allows them to be utilized simultaneously by banks with affiliated transactions. This can be done by the parent company transferring assets or profits obtained from using these intangible assets to the subsidiary company in the form of royalties to reduce the tax burden (Dyrenge et al., 2007). Dharmapala (2014) and Nurhidayati & Fuadillah (2018) prove that intangible assets have a positive effect on the use of tax haven countries, while Deanti (2017) and Muhammadi et al. (2016) show that intangible assets do not affect the use of tax haven countries.

Good corporate governance (GCG) is a structure that must be implemented by a company

in order to become better. GCG can reduce tax avoidance behaviour carried out by management. If banks have good governance, they will definitely consider all their activities, especially those that deviate from the rules to reduce the use of tax haven countries. According to the 2006 National Committee for Governance Policy, there are 5 GCG principles: transparency, accountability, responsibility, independence and fairness. Sari (2010) stated that GCG has a negative effect on the use of tax haven countries. Meanwhile, Solistiyo (2019) stated that GCG does not affect the use of tax haven countries.

The banking health ratio is used as a control variable. This ratio is the result achieved by banks in achieving predetermined goals by managing resources effectively. Bank health assessment can use the capital adequacy ratio (CAR). CAR is an indicator that measures how much capital the bank in question has in order to be able to carry out operations adequately. It also shows the bank's wealth in terms of shareholders. The higher the capital invested in the bank, the higher the bank's profitability. This can trigger banks to minimize their tax burden by utilizing tax haven countries. Sangmi & Nazir (2010) stated that banking health ratios positively affect the use of tax haven countries.

This research attempts to fill the research gap by including GCG as an independent variable. It aims to reduce management's tax avoidance behavior. In achieving good governance, banks must consider all activities they will carry out, especially activities that deviate from the rules, to reduce the use of tax haven countries in a company.

Banking was chosen as the research object because previous studies tended to use manufacturing companies (Dryeng et al., 2008; Sari, 2010; Sangmi & Nazir, 2010; Dharmapala, 2014; Muhammadi et al., 2016; Deanti, 2017; Solisty, 2019). Banking as a financial company is suspected of also using tax haven countries as destinations for tax evasion. Therefore, this research seeks to prove whether banks use the same determinants in manufacturing companies to take advantage of tax haven countries.

Based on the background description above, the author can formulate the problem: (1) Does multinationality influence the use of tax haven countries? (2) Do intangible assets influence the use of tax haven countries? (3) Does GCG influence the use of tax haven countries?

LITERATURE REVIEW

Agency Theory

Jensen & Meckling (1976) stated that agency theory involves the involvement of 2 parties, namely the agent as the company and the principal as the government, based on a contractual agreement, and both are motivated to make a profit. As an agent, the company is more dominant in knowing information than the principal. This is because there are differences in desires, utilities and interests, which result in conflicts of interest. Agents with special relationships with principals can take advantage of low tax rates in tax-haven countries. This can be done by the agent moving all assets owned to a country with low tax rates. The aim is to reduce the tax burden.

Utilization of Tax Haven Countries

According to Undang-Undang Republik Indonesia No. 36 (2008) concerning Income Tax, article 18 paragraph (3c), tax havens aim for a country to provide tax protection. A country that implements the use of a tax haven has the criteria that it will not collect taxes or collect taxes, but it will be lower than Indonesia. Companies can carry out asset transfer loopholes because tax havens provide opportunities to pay low taxes or not be subject to tax (Nurhidayati & Fuadillah, 2018).

Multinationality

Banking has relationships with affiliates to conduct affiliate transactions with companies established overseas. Usually, banking subsidiaries are banks located in countries with low tax rates. This shows that banking has the potential to minimize the tax burden, which causes high conflicts of interest (Klassen et al., 1993). This case occurred at Citibank, where determining permanent business entity, the bank which initially had KCBA legal entity status could not decide to become PT. This is because human resources and business transitions are still complicated and must be considered by management. The central bank has only decided to develop modestly and only strengthen its business lines. In contrast, branch banks can make a significant contribution to the country by increasing the quality and quantity of their business (Sari, 2016).

Intangible Assets

Managers usually manage intangible assets owned by banks. Intangible assets have unique value, so they can be utilized simultaneously by banks that have affiliated transactions. This allows banks to emphasize the tax burden by transferring profits or income obtained from operating intangible assets, such as goodwill, licenses, software, and others in the form of royalties, to banks located in countries with low tax rates. The relationship between the parent company and its subsidiaries shows high agency conflict (Dudar et al., 2015).

Good Corporate Governance (GCG)

GCG is a form of direction and control for a company to achieve a balance between the company's power and authority (Sutedi, 2012). GCG can be carried out by regulating the distribution of duties, rights and obligations of those interested in the company. GCG applies several principles: transparency, accountability, responsibility, independence, and fairness. GCG functions to reduce conflicts of interest in implementing tax havens. A manager's role significantly influences governance to achieve balance and company authority (Annisa & Kurniasih, 2012).

Banking Health Ratio

According to Surat Edaran Bank Indonesia No. 6/23/DPNP (2004), CAR is a ratio that can show the amount of all bank assets that contain risk, such as credit, investments, securities and claims on other banks, which are also financed from their capital in addition to obtaining funds from sources outside the bank. This ratio is used to measure how significant the bank's capital level is in order to be able to carry out operations adequately and show the bank's wealth in terms of shareholders. This ratio can cover the risk of loss from activities carried out and the bank's ability to fund its operational activities.

Hypothesis Development

The Influence of Multinationality on The Use of Tax Haven Countries

According to Klassen et al. (1993), banks that have affiliated transactions with affiliated parties can recognize income or profits that experience losses. This has the potential to avoid paying tax burdens and transferring the assets owned to subsidiary companies, especially in tax haven countries. Based on the results of previous

research, Pramesthi et al. (2019), Damayanti & Prastiwi (2017), and Solistiyo (2019) prove that multinational companies tend to take advantage of tax haven countries.

H₁: The multinational companies have a positive influence on the utilization of tax haven countries.

The Influence of Intangible Assets on The Use of Tax Haven Countries

Gravelle (2009) states that intangible assets have a unique value so that banks can utilise them simultaneously in special relationships. This can be an opening for banks that enter into affiliated transactions to take advantage of tax haven countries by transferring assets from the parent company to subsidiary companies. Based on the results of previous research, Dharmapala (2014) and Nurhidayati and Fuadillah (2018) have proven that intangible assets tend to be used to take advantage of tax incentives provided by tax haven countries.

H₂: The intangible assets have a positive effect on the use of tax haven countries.

The Influence of GCG on The Use of Tax Haven Countries

GCG is a healthy mechanism and practice for carrying out banking operational activities. Banks with GCG carry out their operational activities in good faith and tend to minimize activities that could harm stakeholders as principals. In this context, the principal is the government, which has the authority to collect taxes from banks. Banking management strives to comply with tax provisions and carry them out well. Therefore, banks with GCG tend not to minimize their tax burden (Desai & Dharmapala, 2006). One way to minimize the tax burden is to utilize tax-haven countries. Sari (2010) proves that GCG reduces avoidance through state tax havens.

H₃: The GCG has a negative effect on the use of tax haven countries.

Research Model

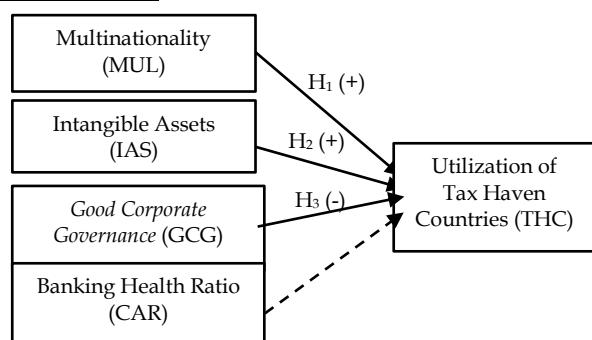


Figure 1. Research Model

RESEARCH METHODS

This type of research is in the form of quantitative data that involves the relationship between two or more variables. This research was conducted using logistic regression analysis. The data used comes from the financial reports of banking companies registered on the BEI for 2016-2020, which were taken from the official BEI website (www.idx.co.id). The indicator variables for this research are:

1. Tax havens aim to provide tax protection for a country. The higher the tax protection for a country, the higher the opportunity for banks to utilize tax-haven countries. This variable can be measured using a dummy variable, where banks without affiliated companies that carry out operations in tax haven countries based on EU regulations are given a value of "0". Banks with at least one affiliated company carrying out operations in a tax haven country based on EU regulations are given a value of "1". The countries used in research based on EU provisions consist of Uruguay, Barbados, Dominica, Anguilla, Jamaica, Costa Rica, Botswana, Seychelles, Qatar, Jordan, Turkey, North Macedonia, Malaysia, Thailand, Hong Kong, Samoa, America Samoa, Panama, Trinidad and Tobago, US Virgin Islands, Fiji, Vanuatu, Palau, and Guam (Council of the European Union, 2021).
2. Multinational companies are one of the determinants of taking advantage of tax haven countries. Multinational banks are banks that carry out operational activities in several countries, one of which is a tax haven country. This operational activity can be carried out by opening a branch or through investing in shares of another bank operating in a tax haven country. Multinationality is measured using a dummy variable, where banks that do not have operational activities in multinational countries are given a score of "0". Banks that have operational activities in multinational countries are given a score of "1".
3. Companies can take advantage of affiliate transactions to reduce the tax burden by moving intangible assets in the form of royalties to countries with low tax rates. This variable can be measured using the logarithm of the number of intangible assets with the aim that the number of intangible assets can be simplified without changing the

proportion of the actual amount (Kusuma & Wijaya, 2017), which is obtained from the financial position report with the following formula.

$$\text{Intangible Assets} = \log(\text{IAS}) \dots \dots \dots (1)$$

4. According to the Organization for Economics Cooperation and Development (OECD, 2010), GCG is a system used to direct and control a company's business activities by regulating the distribution of tasks, rights and obligations of those interested in the company. Komite Nasional Kebijakan Governance (KNKG, 2016) stated that several GCG principles must be implemented, namely transparency, accountability, responsibility, independence and fairness. The greater the manager's influence on a bank, the lower the indication for utilizing tax haven countries. These variables can be measured using the Corporate Governance Corporate Index (CGPI) Score, as can be seen in the governance report established by KNKG (2016), where:
 D0 = GCG Index 1 is given a score of 1, others 0; D1 = GCG Index 2 is given a score of 1, others 0; D2 = GCG Index 3 is given a score of 1, others 0; D3 = GCG Index 4 is given a score of 1, others 0; D4 = GCG Index 5 is given a score of 1, others 0.
5. The banking health ratio is a control variable that measures the level of bank assets. This variable can be measured by bank capital divided by total risk-weighted assets (RWA) obtained from the annual report in the notes section of the financial report in the capital provision obligation ratio section in the CAR ratio using the following formula.

$$CAR = \frac{\text{Bank Capital}}{\text{Total RWA}} \dots \dots \dots (2)$$

The population of this research is all banking sector companies listed on the IDX in 2016-2020. The sample used in this research was 125 banking sector companies obtained from financial report data. Sampling from the population used a purposive sampling technique with criteria that were in accordance with the research objectives and were used as sample selection. The following are the sample selection criteria:

Table 1. Sample Selection Criteria

Description	Companies Total
Population: Banking sector companies listed on the IDX during 2016-2020.	45
1. Banking sector companies that are not listed on IDX in a row during 2016-2020.	(2)
2. Banking sector companies that are not listed on IDX in a row during 2016-2020.	(18)
Total Sample Companies	25
Total Observations 2016-2020	125

Source: Processed data

The independent variables in this research are multinationality, intangible assets, and GCG. The dependent variable in the research is utilization of tax haven countries. The control variable in the research is the banking health ratio.

$$\ln \frac{P(\text{THC})}{1-P(\text{THC})} = \alpha + \beta_1 \text{MUL} + \beta_2 \text{IAS} - \beta_3 \text{GCG} + \beta_4 \text{CAR} + e \dots \dots \dots (3)$$

RESULTS AND DISCUSSION

Result

Descriptive Statistics

Descriptive statistics are used to describe or describe data so that the data presented can be understood and informative. Descriptive statistics are measured using minimum value, maximum value, average value (mean), standard deviation, and frequency (Ghozali, 2016).

The data used in the current research are multinationality (MUL), intangible assets (IAS), good corporate governance (GCG) as independent variables with the addition of the banking health ratio (CAR) as a control variable. Descriptive statistical results can be shown in Tables 2 and 3.

Table 2. Descriptive Test Results

No	Variable	Mean	Min	Max	Standard Deviation
1	MUL	0,56	0	1	0,50
2	IAS	10,75	8,23	12,6	1,03
3	GCG	2,17	1	3	0,47
4	CAR	0,22	0,07	1,48	0,15

Source: Processed data

Table 2 above shows that MUL (Multinationality) has a minimum value of 0, a maximum value of 1, an average value of 0,560, and a standard deviation of 0,498. This means that 56% of the multinational banks in this research sample, the remaining 44% are non-multinational banks. IAS (Intangible Assets) has a minimum value of 8,23, a maximum value of 12,66, an average value of 10,75, and a standard deviation of 1,03. This means that the intangible assets owned by the sample bank are quite large. GCG (Good Corporate Governance) has a minimum value of 1, a maximum value of 3, an average value of 2,17, and a standard deviation of 0,47. The GCG index owned by the sample bank has a score of 1-3. There are no banks in this research sample that have scores of 4 and 5, because these scores indicate weak GCG. CAR (Capital Adequacy Ratio) as a control variable has a minimum value of 0,068, a maximum value of 1,477, an average value of 0,220, and a standard deviation of 0,150. This shows that the sample bank has a low level of health because the average value is less than 1.

Table 3. Potential Use of Tax Haven Countries

Description	Total	
Banks that have potential to utilize tax haven countries.	45	36%
Banks in the banking sector that don't have potential to utilize tax haven countries.	80	64%
Total	125	100%

Source: Processed data

Table 3 above shows that of the 125 samples, there are 45 banking samples that have the potential to utilize tax haven countries with a percentage of 36%, while there are 80 banking samples that don't have potential to utilize tax haven countries with a percentage of 64%. It can be concluded that the banks in this research sample are dominated by banks that don't have potential to utilize tax haven countries.

Overall Model Fit Test

The overall model fit test functions to correctly interpret the actual values in the sample regression function. This test uses the Likelihood L function, namely the probability of the hypothesis model according to the data that has been entered. Likelihood L will then be transformed into -2 Log Likelihood (-2LogL) which functions to provide a comparison between the first -2LogL and the second -2LogL (Ghozali,

2016:328). Model fit assessment uses hypothesis testing as follows:

- a. H_0 is accepted if the first -2LogL > the second -2LogL, so that the model in the hypothesis is declared to fit the data.
- b. H_0 is rejected if the first -2LogL < the second -2LogL, so the model in the hypothesis is declared not fit to the data.

Table 4. -2 Log Likelihood Value

-2 Log Likelihood	Value
Block 0	163,36
Block 1	99,60

Source: Processed data

Table 4 above shows the value of the first -2LogL of 163,36. After including the three independent variables and one control variable in the research, the result was -2LogL of 99,60. These results conclude that the first -2LogL has a greater value than the second -2LogL so that H_0 is accepted and declared to fit the data.

Coefficient of Determination Test

The coefficient of determination test functions to measure how far a model is able to show variations in the dependent variable. This test uses Nagelkerke's R Square, which is an updated test of the Cox and Snell coefficients which provides a higher level of certainty that the value varies from 0 to 1. The value in Nagelkerke's R Square can be shown by the value of the coefficient of determination R^2 in multiple regression (Ghozali, 2016).

Table 5. Nagelkerke's R Square Value

Step	-2 Log Likelihood	Cox & Snell R Square	Nagelkerke R Square
1	81,25	0,48	0,66

Source: Processed data

Table 5 shows the Nagelkerke's R Square value of 0,66. These results show that the influence of the dependent variable on the independent variables and control variables is 66%, while the remaining 34% can be explained by other independent variables outside the research model.

Model Feasibility Test

The model feasibility test functions to determine the suitability of the regression model, so that the model used matches the data that has been input. This test uses the Hosmer and

Lemeshow test with the following hypothesis (Ghozali, 2016):

- a. H_0 is accepted if the significance level of the Hosmer and Lemeshow test shows results $> 0,05$ so that the regression model is suitable for use.
- b. H_0 is rejected if the significance level of the Hosmer and Lemeshow test shows a result of $\leq 0,05$ so that the regression model is not suitable for use.

Table 6. Hosmer dan Lemeshow Test

Step	Chi-Square	Sig.	Description
1	2,36	0,97	Feasible Regression Model

Source: Processed data

Table 6 shows a Chi-Square value of 2,36 with a significance level of 0,97. This shows that there is a significant level above 0,05 where H_0 is accepted and the regression model is declared feasible.

Classification Accuracy Test

The classification accuracy test functions to determine the percentage accuracy of a variable's model in classifying samples. There are 125 banks in the research sample. The classification of banks that do not have the potential to utilize tax haven countries is 80. Meanwhile, there are 45 banks that have the potential to utilize tax haven countries. Table 7 above shows classification accuracy of 81,6%. This means that the classification of banks that have the potential and those that do not have the potential to utilize tax haven countries is quite precise.

Table 7. Classification Accuracy

<i>Observed</i>	<i>Predicted</i>		<i>% Correct</i>
	<i>Don't Take Advantage of Tax Haven Countries</i>	<i>Take Advantage of Tax Haven Countries</i>	
Banks that don't have the potential to take advantage of tax haven countries	80	0	100 %
Banks that have the potential to take advantage of tax haven countries	45	0	0
Overall Percentage			81,6 %

Source: Processed data

Hypothesis Test

This research hypothesis test uses logistic regression analysis because the dependent variable used is a dummy variable. The stages of hypothesis testing are:

- a. The alternative hypothesis (H_a) is rejected if $\alpha > 0.05$.
- b. The alternative hypothesis (H_a) is accepted if $\alpha \leq 0.05$.

Table 8. Hypothesis Test Results

Variable	B	Sig.	Exp (B)	Description
MUL	-21,62	0,997	0,000	H_1 rejected
IAS	0,85	0,047	2,343	H_2 accepted
GCG	-1,381	0,218	0,251	H_3 rejected
CAR	3,603	0,386	36,72	Significant
Constant	-8,562	0,074	0,000	

Source: Processed data

The results of the regression model are as follows:

$$\ln \frac{P_{(THC)}}{1 - P_{(THC)}} = -8,562 - 21,622 MUL + 0,851 IAS - 1,381 GCG + 3,603 CAR + \epsilon \dots\dots(4)$$

The results of the logistic linear regression equation are as follows:

- 1. MUL has a negative coefficient value of -21,622 with a significance level of 0,997. This

shows that the significance value is more than 0,05 so it can be concluded that MUL has no effect on the use of tax haven countries. This result contradicts H₁ stated previously, so that multinationality has a significant effect on the use of tax haven countries is rejected.

2. IAS has a positive coefficient value of 0,851 with a significance level of 0,047. This shows that the significance value is less than 0,05, so it can be concluded that IAS influences the use of tax haven countries. This result is in line with H₂ stated previously, so that intangible assets have a significant effect on the use of tax haven countries received.
3. GCG has a negative coefficient value of -1,381 with a significance level of 0,218. This shows that the significance value is more than 0,05 so it can be concluded that GCG has no effect on the use of tax haven countries. This result contradicts H₃ stated previously, so that GCG has a significant effect on the use of tax haven countries is rejected.
4. CAR has a positive coefficient value of 3,603 with a significance level of 0,386. This shows that the significance value is more than 0,05, so it can be concluded that CAR has no effect on the use of tax haven countries.

Discussion

The Influence of Multinationality on The Use of Tax Haven Countries

Multinationals do not influence the use of tax haven countries. Table 8 shows that the multinational variable (MUL) has a significance level of 0,997. This shows that the significance value is more than 0,05, so it can be concluded that banks carrying out multinational operational activities are not a determinant of the use of tax haven countries.

Agency theory states that the existence of an ownership contract results in a conflict of interest. Multinational banking is owned by foreign companies, so it is prone to conflicts of interest. This conflict of interest occurs when assets are transferred to other banks with affiliated transactions and are established abroad, especially in countries with low tax rates. The aim is to minimize tax burden payments by recognizing losses to the bank.

Multinational banking has a low conflict of interest in utilizing tax rates. Tax rates in Indonesia are not taxed if retained earnings are not sent outside Indonesia. This aligns with Article 18, paragraph (4) of the Income Tax Law.

This provision applies if no tax treaty exists between Indonesia and the bank owner's country of origin.

This research supports the results of Nugraha and Kristanto (2019), who state that multinationals do not affect the use of tax haven countries. Meanwhile, the results of this research are different from the results of research conducted by Pramesthi et al. (2019), Damayanti & Prastiwi (2017), and Solistiyo (2019), who stated that multinationals have a positive influence on the use of tax haven countries.

The Influence of Intangible Assets on The Use of Tax Haven Countries

Intangible assets have a positive effect on the use of tax haven countries. Table 8 shows that intangible assets (IAS) have a significance level of 0,047. Since the significance value is less than 0,05, it can be concluded that banks use their intangible assets to take advantage of tax haven countries.

Intangible assets have unique value, so they can be utilized by banks that have affiliated transactions. The aim is to emphasize the tax burden. The uniqueness of intangible assets makes it difficult to determine their fair value. This causes conflicts of interest to be high, so it is said to be in line with agency theory.

Banking tends to have higher intangible assets than tangible assets, allowing it to reduce the tax burden. This is done by transferring income from the management of intangible assets that have been used and generated profits in the form of royalties to banks located in countries with low tax rates. The intangible assets that banks mostly own include goodwill, licenses, software, and others. In addition, identifying the value of intangible assets is not easy because it is difficult to calculate their intrinsic value.

The results of this research support the findings of research conducted by Dyreng et al. (2007), which found that intangible assets have a positive effect on the use of tax haven countries. However, the results of this study are different from the findings of research by Deanti (2017) and Muhammadi et al. (2016), which stated that intangible assets have no effect on the use of tax haven countries.

The Influence of GCG on The Use of Tax Haven Countries

Good corporate governance (GCG) does not affect the use of tax haven countries. Table 8 shows that GCG has a significance level of 0,218.

This shows that the significance value is more than 0,05, so it can be concluded that GCG does not affect the use of tax haven countries. The GCG score for the banks in this research sample has a mean value of 2,17. This means that the banking in the research sample is in a suitable category, so conflicts of interest in the banking research sample are low. The implementation of GCG in the banking sample has been running optimally. This is one of the factors for sample banks not to take advantage of tax haven countries in seeking low tax rates.

GCG is a means of minimizing conflicts of interest. GCG is a form of governance that is applied to a bank to prevent acts of fraud. The better quality of banking GCG, the management carried out by managers shows less aggressiveness in minimizing the tax burden. This research confirms agency theory because GCG has a role in reducing banking risks and minimizing the tax burden.

This research supports the results of the research conducted by Solistiyo (2019), which found that GCG does not affect the use of tax haven countries. Meanwhile, the results of this research are different from those of Sari (2010), which states that GCG has a negative effect on the use of tax haven countries.

CONCLUSION

The results of this research conclude that the determinant that influences the use of tax haven countries is intangible assets. Banks use their intangible assets by moving or transferring the results of using intangible assets in royalties to tax haven countries. Meanwhile, banks that have operational activities in several countries or are multi-national and have good corporate governance are not determinants that influence the use of tax haven countries. Likewise, the bank health ratio as a control variable does not affect the use of tax haven countries. The results of this research have practical implications, namely that investors should be careful when investing their funds in banks with high intangible assets. This can be a factor that encourages banks to take advantage of low tax rates in tax-haven countries. This indicates the existence of a Special Purpose Vehicle (SPV) used to take advantage of low tax rates in tax haven countries.

A limitation of this research is that the measurement of GCG variables in this research only uses the GCG implementation index, which

comes from self-assessments in annual reports. Suggestions for further research are that researchers can use GCG components to measure GCG in addition to the GCG implementation index.

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