



The association between related-party transactions and tax planning of listed companies on the Stock Exchange of Thailand

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Abstract

This study aims to examine the association between related-party transactions and tax planning among listed companies on the Stock Exchange of Thailand, following the implementation of the Act Amendment Revenue Code (No. 47). The data are collected from companies listed on the Stock Exchange of Thailand (SET Index) from 2020 to 2023. The data were analyzed using both descriptive statistics and inferential statistics, including correlation and multiple regression analysis, to examine the relationships between dependent and independent variables. The findings indicate that related-party sales (RPS) are negatively associated with tax planning when measured by the Effective Tax Rate (ETR) and the ratio of corporate income tax expense to operating cash flows (TCFO). The result indicates that an increase in related-party sales corresponds with more aggressive tax planning behavior. Tax planning frequently involves shifting earnings across borders using related-party transactions to take advantage of tax rate differentials between countries. Additionally, the results reveal that firm size positively influences tax planning behavior, measured by ETR, indicating that larger firms tend to reduce their tax planning behavior. Profitability (measured by return on assets) shows a positive relationship with TCFO, implying that firms with higher profitability exhibit lower levels of tax planning behavior. Furthermore, firm growth also

demonstrates a positive association with TCFO, which indicates that firms experiencing higher sales growth tend to engage less in tax planning activities. Corporate governance shows a positive relationship with ETR, indicating that firms with strong corporate governance tend to engage in less tax planning. The findings of this study are expected to be beneficial to relevant regulators, as the empirical evidence may inform improvements in tax policy-particularly regarding transactions among related parties-to enhance the effectiveness of future regulatory measures.

Keywords: tax planning, related-party transaction, tax, transfer pricing

Background and Significance

Transfer pricing is one of the primary strategies used by multinational corporations to minimize taxes through intra-group arrangements. This involves shifting income to jurisdictions with low or no taxation (i.e., tax havens) or allocating expenses to high-tax jurisdictions. The aim is to report lower profits and thereby pay less tax than would otherwise be due. Improperly setting interest rates for intercompany loans is one example; if a firm borrows from a related party at an interest rate significantly above market levels, the excessive interest payment reduces the borrower's taxable income, thereby decreasing tax liability and transferring wealth to the related party.

Previous studies have found that Thai firms affiliated with multinational corporations have faced issues related to tax avoidance and tax evasion. (Yaemsroithong, 1987). The previous study reported that Thai Garment was suspected by bank credit analysts after suffering continuous losses for 7–8 years while still expanding via bank loans. It was discovered that the firm had shifted profits to its parent company in Taiwan, resulting in a significant loss of corporate tax revenue for Thailand.

To respond these issues, the Revenue Department introduced the Act Amendment Revenue Code (No. 47). This legislation acknowledges that many large enterprises are connected by ownership, management, or control structures. Without regulation, such firms may engage in profit shifting to reduce tax liabilities, adversely affecting the government's ability to collect corporate taxes (Government Gazette, 2018)

According to Hoffman (1961), tax planning refers to the strategic arrangement of financial affairs by taxpayers to minimize tax obligations. Tax planning involves structuring all aspects of taxation in a way that achieves the desired level of tax reduction, thereby enabling efficient tax expense management. Tax is considered one of the major costs of doing business. Strategic tax planning allows firms to lower their tax obligations, resulting in improved financial performance and reinforcing their competitive position in the market (Tang-an, 2021). Tantiyavarong (2009) found that large firms tend to engage more in tax planning. Firm size is seen as an indicator of managerial capacity - larger firms typically have greater opportunities and channels to engage in tax planning. These firms are more inclined to shift profits to subsidiaries through related-party transactions to reduce reported profits and, consequently, overall tax obligations (Rego, 2003).

Prior studies have also shown that managers may adopt accounting policies that serve their interests. For instance, managers may engage in related-party transactions, such as purchasing goods at below-market prices, to inflate firm profits, thereby deriving personal benefits (Watts & Zimmerman, 1986, 1990). However, Gordon et al. (2004) presented two alternative perspectives. The first emphasizes conflict of interest, in which investors are concerned that transactions with related parties may compromise shareholder interests due to managers prioritizing personal gains. The second perspective highlights efficiency, suggesting that related-party transactions can be structured to meet the specific strategic and operational needs of the firm - for example, hiring related parties who possess deep firm - specific knowledge may lead to more efficient services.

While tax planning has been the subject of some research in Thailand, tax planning through related-party transactions remains underexplored. Therefore, the purpose of this study is to investigate the association between related-party transactions and tax planning in the context of Thailand, particularly after the enforcement of the Act Amendment Revenue Code (No. 47). This study is expected to be beneficial to the Revenue Department by understanding how firms engage in tax planning through related-party transactions, to enhance the effectiveness of future regulatory measures.

Objective

1. To examine corporate income tax planning through related-party transactions among companies listed on the Stock Exchange of Thailand.
2. To investigate the relationship between the Act Amendment Revenue Code (No. 47), which mandates the submission of the Disclosure Form, and corporate income tax planning among companies listed on the Stock Exchange of Thailand.

Literature Review

Agency Theory

The principal-agent relationship as a contractual arrangement in which the principal (i.e., shareholders) hires an agent (i.e., managers) to manage the business on their behalf. In this arrangement, shareholders delegate certain decision-making powers to managers. However, if both parties aim to maximize their own interest, managers may not necessarily act in the best interests of the shareholders. While shareholders seek to maximize their returns on investment, managers pursue high personal compensation, both in monetary forms, such as salaries and bonuses, and non-monetary forms, such as costly company cars or lavishly decorated offices.

Positive Accounting Theory

The Positive Accounting Theory proposed by Watts & Zimmerman (1986, 1990) offers insights into managerial motivations behind the selection of accounting policies. The theory posits that managers tend to adopt accounting policies that serve their own interests. It is based on three key hypotheses:

1. The Bonus Plan Hypothesis. Under this hypothesis, managers are awarded bonuses if the firm achieves predetermined performance targets. Consequently, managers have an incentive to select accounting policies that increase reported earnings in the current period in order to boost their bonuses, even if such earnings do not strictly belong to the current accounting period.

2. The Debt/Equity Hypothesis. This hypothesis suggests that managers are inclined to adopt income-increasing accounting policies when the company's debt-to-equity ratio is high. A higher ratio implies that the firm is approaching the limits outlined in debt covenants. Breaching such covenants could damage the firm's creditworthiness and reputation. To avoid this, managers are motivated to increase reported income to ensure compliance with the debt agreements.

3. The Political Costs Hypothesis. This hypothesis posits that large and highly profitable firms are more likely to attract government scrutiny. It often views large firms as having monopolistic power or as entities that exploit the public, which may lead to interventions such as price controls or anti-monopoly regulations. To avoid becoming targets of such political or regulatory interventions, managers of large firms are incentivized to adopt accounting policies that reduce reported earnings and thereby minimize visibility or political exposure.

Tax Planning Theory

Hoffman (1961) classifies tax-related behaviors into three main categories: tax planning, tax avoidance, and tax evasion. Tax planning is defined as a taxpayer's ability to manage their financial activities in a manner that legally minimizes tax obligations. It is considered a legitimate financial strategy and a fundamental component of corporate financial management.

Tax avoidance, while also legal, involves exploiting loopholes or ambiguities in tax regulations to reduce tax burdens. It is typically viewed as a more aggressive form of tax planning and often raises ethical or regulatory concerns, especially when it contradicts the spirit of the law. Legal privileges or incentives provided by tax authorities may also be used to facilitate tax avoidance.

In contrast, tax evasion is an illegal practice characterized by intentional misrepresentation, distortion, or concealment of financial information to avoid paying taxes. This conduct not only violates tax law but also exposes taxpayers to reputational damage and potential legal penalties.

Related Party Transactions

In this study, related party transactions are categorized into four groups according to classifications in financial statements: intercompany sales, intercompany expenses, intercompany assets, and intercompany liabilities (Utama, 2015; Sari et al., 2017; Udomrattanasap, 2022).

Related Party Sales and Tax Planning

Cheung et al. (2009) found in a study conducted in Hong Kong that related party sales and services are often subject to inappropriate transfer pricing compared to sales made to unrelated parties. This results in the selling company receiving lower-than-market revenues, violating the Arm's Length Principle. In Indonesia, Barokah & Sari (2024) identified cross-border intercompany sales and services as

factors positively correlated with tax avoidance. Park (2018), using data from Korea, revealed that higher levels of related party sales are related to greater tendencies toward tax avoidance. In Thailand, Udomrattanasap (2022) discovered that a higher level of related party sales and services correlates with lower effective tax rates and a lower expense-to-asset ratio, suggesting an increase in tax planning activities. In contrast, Aryotama & Firmansyah (2019) found a negative relationship in Indonesia, proposing that firms might prefer thin capitalization to income shifting due to risks associated with cross-border transfers. The findings of Rezeki et al. (2021) indicate that related-party sales are not significantly related to tax avoidance in Indonesia. Therefore, this study proposes the following hypothesis:

H1: Related party sales are positively associated with tax planning.

Related Party Expenses and Tax Planning

Inappropriate transfer pricing through the procurement of goods and services from affiliated entities at inflated prices can reduce the buyer's profit or even result in a loss due to excessive expenses (Pongorapin, 2022). Excessive bonuses or remuneration paid to related parties is also a method of tax avoidance (Rezeki et al., 2021). In Thailand, Udomrattanasap (2022) found that high intercompany expenses were linked to lower effective tax rates and lower expense-to-asset ratios, indicating increased tax planning. In Indonesia, Sari et al. (2017) discovered an inverse correlation between effective tax rates and intercompany expenses, implying that higher tax avoidance was linked to higher related party expenses. Nuritomo et al. (2020) reported a positive link between shareholder tax burdens and cross-border related party transactions. Nonetheless, Rezeki et al. (2021) observed no statistically significant association between related party purchases and tax avoidance in the Indonesian context. Therefore, this study proposes the following hypothesis:

H2: Related party expenses are positively associated with tax planning.

Related Party Assets and Tax Planning

Extending credit in large amounts to related parties for the sale of goods and services increases the risk of uncollectible accounts and requires a higher allowance for doubtful accounts, thereby raising costs and reducing profit (Rezeki et al., 2021). The findings of Barokah & Sari (2024) indicate that higher levels of intercompany receivables are associated with increased tax avoidance. Similarly, Rezeki et al. (2021) found a positive association between intercompany trade receivables and tax avoidance. However, in Thailand, Udomrattanasap (2024) reported that higher levels of intercompany assets were associated with decreased tax planning. Nuritomo et al. (2020), however, found no significant relationship between cross-border related party assets and tax avoidance. Therefore, this study proposes the following hypothesis:

H3: Related party assets are positively associated with tax planning.

Related Party Liabilities and Tax Planning

Inappropriate transfer pricing through loans involving related parties, especially when interest rates are set above market levels, can reduce the borrower's taxable income. This occurs because high interest payments reduce profit, enabling the shifting of profits to related parties. In Thailand, Udomrattanasap

(2022) found that higher levels of intercompany liabilities were associated with higher effective tax rates and expense-to-asset ratios, implying that increased liabilities from related parties led to decreased tax planning. Therefore, this study proposes the following hypothesis:

H4: Related party liabilities are positively associated with tax planning

Related-Party Transactions Tax Law

The enactment of the Act Amendment Revenue Code (No. 47), requiring large firms (with revenue over 200 million baht) with related party transactions to submit a disclosure form, was designed to control profit shifting among related entities (Government Gazette, 2018). Similar laws have been enacted internationally for the same purpose. Park (2018) observed in Korea that the introduction of regulations targeting unfair related party transactions, which impose taxes on transactions exceeding 30% of total sales, led to a reduction in tax avoidance through such transactions. Barokah & Sari (2024) investigated pre- and post-legislation periods in Indonesia and found that tax avoidance was associated with higher levels of related party transactions before the enforcement of the law, but this relationship disappeared afterward. Therefore, this study proposes the following hypothesis:

H5: Related-party transactions tax law is negatively associated with tax planning

Research Conceptual Framework

Research conceptual framework shows in figure 1.

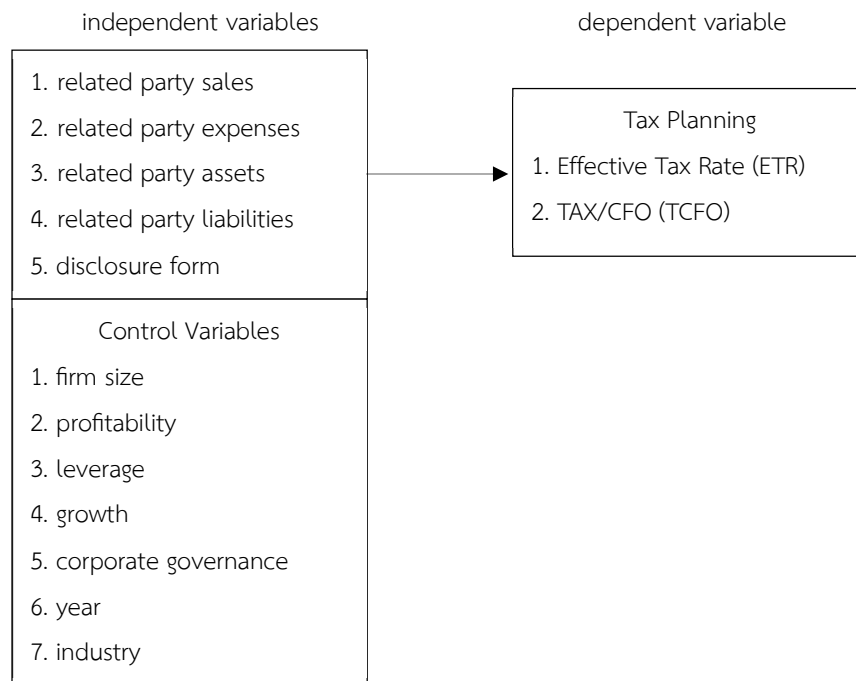


Figure 1. research conceptual framework

Methods

This study is an empirical investigation examining the relationship between related party transactions and tax planning among publicly listed companies on the Stock Exchange of Thailand. The data are collected as follows:

1. Population and sample

The population comprises companies listed on the Stock Exchange of Thailand (SET) from 2020 to 2023. The sample excludes companies in the financial sector, companies whose fiscal year does not follow the calendar year, firms undergoing rehabilitation, firms reporting negative pre-tax income, firms with negative net cash flows from operating activities, firms with incomplete data, and statistical outliers, as shown in Table 1

Table 1. Number of the sample selection for the study

observations	ETR	TCFO
Firms listed on the Stock Exchange of Thailand	2,651	2,651
Less: The financial sector	(560)	(560)
Companies whose fiscal year does not follow the calendar year	(100)	(100)
Firms undergoing rehabilitation	(8)	(8)
Firms reporting negative pre-tax income	(470)	-
Firms with negative net cash flows	-	(430)
Firms with incomplete data	(195)	(193)
Outlier	(48)	(77)
Final Samples	1,270	1,283

2. Research tools

Accounting profit and taxable profit are different due to the recognition criteria applied to each. Taxable profit is calculated based on tax laws and regulations by the Revenue Department, whereas accounting profit is calculated using the accrual basis under the Thai Financial Reporting Standards (TFRS). This study measures tax planning using two approaches: 1. tax planning that reduces taxable profit without affecting accounting profit, measured by the Effective Tax Rate (ETR). It captures both temporary differences and permanent differences. However, ETR may not fully capture current-period tax planning activities, and 2. tax planning that reduces both taxable profit and accounting profit, measured by the ratio of corporate income tax expense to operating cash flows (TCFO) (Tantiyavarong, 2009).

3. Data collection

In this study, secondary data are collected from multiple sources, including the annual reports (Form 56-1 One Report) disclosed on the website of the Stock Exchange of Thailand (SET), the official

websites of the respective companies, and the LSEG Workspace database, covering the period from 2020 to 2023.

4. Data analysis

4.1 Descriptive statistics were employed to explain the analysis results. The descriptive measures included mean, maximum, minimum, and standard deviation.

4.2 Inferential statistics were employed to analyze the association between the dependent and independent variables. The Pearson correlation coefficient measured the strength and direction of the association, while multiple regression analysis was performed to evaluate the impact of the independent variables on the dependent variable.

For the analysis of the association between the independent and dependent variables using the Pearson correlation coefficient, untabulated results indicate that the correlation coefficients between each pair of variables do not exceed 0.80 (Ferguson, 1981). Furthermore, the multicollinearity diagnostic results show that all Tolerance values are not close to zero, and all Variance Inflation Factor (VIF) values are below 10. These results suggest that the independent variables are not highly correlated and are independent of each other. An examination of the residuals reveals that they are normally distributed, with constant variance (homoscedasticity) and randomly distributed around zero, indicating no systematic pattern. This suggests that the assumption of constant error variance holds. In addition, the Durbin-Watson statistic ranges between 1.5 and 2.5, indicating that the residuals are independent. Based on these diagnostic tests, the assumptions required for multiple regression analysis are satisfied.

Model in this research

Model 1:

$$\begin{aligned} ETR_{i,t} = & \beta_0 + \beta_1(RPS_{i,t}) + \beta_2(RPE_{i,t}) + \beta_3(RPA_{i,t}) + \beta_4(RPL_{i,t}) + \beta_5(FORM_{i,t}) + \beta_6(SIZE_{i,t}) + \beta_7(ROA_{i,t}) \\ & + \beta_8(LEV_{i,t}) + \beta_9(GROW_{i,t}) + \beta_{10}(CG_{i,t}) + \beta_{11-13}(YEAR_{i,t}) + \beta_{14-19}(INDUSTRY_{i,t}) + \epsilon_{i,t} \end{aligned}$$

Model 2:

$$\begin{aligned} TCFO_{i,t} = & \beta_0 + \beta_1(RPS_{i,t}) + \beta_2(RPE_{i,t}) + \beta_3(RPA_{i,t}) + \beta_4(RPL_{i,t}) + \beta_5(FORM_{i,t}) + \beta_6(SIZE_{i,t}) + \beta_7(ROA_{i,t}) \\ & + \beta_8(LEV_{i,t}) + \beta_9(GROW_{i,t}) + \beta_{10}(CG_{i,t}) + \beta_{11-13}(YEAR_{i,t}) + \beta_{14-19}(INDUSTRY_{i,t}) + \epsilon_{i,t} \end{aligned}$$

Table 2. Summary of variables

Variables	Measurement
Tax Planning (ETR)	The ratio of total income tax expense to profit before income tax.
Tax Planning (TCFO)	The ratio of total income tax expense to Cash Flow from Operations.
Related Party Sales (RPS)	The ratio of related party sales to total revenue.
Related Party Expenses (RPE)	The ratio of related party expenses to total revenue.
Related Party Assets (RPA)	The ratio of related party assets to total assets.
Related Party Liabilities (RPL)	The ratio of related party liabilities to total assets.
Disclosure Form (FORM)	Dummy variable, where 1 = firms with revenue over 200 million baht, 0 = otherwise
Firm Size (SIZE)	ln (Total Asset).
Profitability (ROA)	The ratio of profit before tax to total assets.
Leverage (LEV)	The ratio of total liabilities to total assets.
Growth (GROW)	(Current year sales – Previous year sales) / Previous year sales.
Cooperate Governance (CG)	Cooperate Governance score
Year	Dummy variable, where = 1 if the observation belongs to the corresponding year, 0 = otherwise
Industry type	Dummy variable, where = 1 if a firm belongs to the corresponding industry, 0 = otherwise

Results

Based on the study of the relationship between related party transactions and tax planning among listed companies on the Stock Exchange of Thailand, the findings from the descriptive statistics were detailed below.

Table 3. Descriptive statistics of each variable measured by ETR (n = 1,270)

Variable	Minimum	Maximum	Mean	S.D.
ETR	- 0.373	0.898	0.16	0.12
RPS	0.000	0.996	0.12	0.15
RPE	0.000	0.847	0.08	0.12
RPA	0.000	0.848	0.08	0.11
RPL	0.000	0.351	0.03	0.05
SIZE	12.588	21.965	15.99	1.54
ROA	0.001	0.379	0.07	0.06
LEV	0.028	2.009	0.42	0.20

Table 3. (cont.)

Variable	Minimum	Maximum	Mean	S.D.
GROW	- 0.625	3.121	0.12	0.36
CG	0	5	4.1	0.99

According to Table 2, the descriptive statistics reveal that the dependent variable, Effective Tax Rate (ETR), has a mean value of 0.166, a minimum of -0.373, and a maximum of 0.898. The mean ETR, which was lower than the statutory corporate tax rate of 20%, indicates evidence of tax planning among the firms. In this study, tax expenses were calculated as the sum of current income tax and deferred income tax. Notably, deferred income tax can represent either tax expenses or tax income, which may result in negative ETR values due to deferred tax income.

Regarding the independent variables, the analysis includes related party sales (RPS), related party expenses (RPE), related party assets (RPA), and related party liabilities (RPL). The descriptive statistics show the following: the mean RPS was 0.12, with a minimum of 0 and a maximum of 0.996; the mean RPE was 0.08, with a minimum of 0 and a maximum of 0.847; the mean RPA is 0.088, with a minimum of 0 and a maximum of 0.848; and the mean RPL is 0.034, with a minimum of 0 and a maximum of 0.351.

Table 4. Descriptive statistics of each variable measured by TCFO (n = 1,283)

Variable	Minimum	Maximum	Mean	S.D.
TCFO	- 0.761	0.942	0.11	0.17
RPS	0.000	0.867	0.12	0.14
RPE	0.000	0.707	0.08	0.11
RPA	0.000	0.781	0.08	0.10
RPL	0.000	0.351	0.03	0.05
SIZE	12.588	21.965	15.93	1.56
ROA	- 0.248	0.540	0.06	0.08
LEV	0.026	2.009	0.42	0.20
GROW	- 0.727	3.121	0.09	0.35
CG	0	5	4.23	0.97

From Table 3, the results of descriptive statistical analysis reveal that the dependent variable, TCFO, had a mean value of 0.112, with a minimum of -0.761 and a maximum of 0.942. The average value, which was lower than the statutory corporate income tax rate of 20%, indicates that firms engage in tax planning. In this study, tax expense was measured by the sum of current tax expense and deferred tax expense. Deferred tax expense may be either a tax expense or a tax benefit, which may result in negative values due to deferred tax income.

Regarding the independent, related party sales (RPS) have an average of 0.120, with a minimum of 0 and a maximum of 0.867. Related party expenses (RPE) have a mean of 0.08, with a minimum of 0 and a maximum of 0.707. Related party assets (RPA) show a mean value of 0.08, with a minimum of 0 and a maximum of 0.781. Lastly, related-party liabilities (RPL) have a mean of 0.03, with a minimum of 0 and a maximum of 0.351.

Table 5. Statistical results from the multiple regression analysis of Related Party Transactions and Tax Planning

	ETR (n = 1,270)		TCFO (n = 1,283)	
	b	Sig.	b	Sig.
(Constant)	0.036	0.442	0.033	0.554
RPS	- 0.087	0.001***	- 0.066	0.042**
RPE	- 0.028	0.362	- 0.059	0.170
RPA	0.028	0.418	0.069	0.120
RPL	0.105	0.149	0.035	0.697
Form	0.007	0.733	- 0.002	0.915
SIZE	0.005	0.089*	0.001	0.800
ROA	- 0.084	0.187	0.650	0.000***
LEV	- 0.002	0.910	- 0.012	0.660
GROW	- 0.016	0.139	0.024	0.075*
Cooperate Governance	0.008	0.034**	0.007	0.130
Year 2021	0.005	0.617	0.034	0.010***
Year 2022	0.018	0.090*	0.031	0.020**
Year 2023	0.024	0.018**	0.034	0.007***
Industry Fixed Effect	√		√	
F	3.709		11.607	
(p-value)	0.000		0.000	
Adjusted R ²	0.039		0.136	

*, **, *** significant at the level of 0.10, 0.05, and 0.01, respectively.

Table 4 presents the results of a multiple regression analysis examining the relationship between related party transactions and tax planning, as measured by the Effective Tax Rate (ETR). The findings indicate that the independent variables employed in the model account for 3.9% of the variation in tax planning behavior, as reflected by the Adjusted R-squared value. The related party sales ratio (RPS) shows a statistically significant negative relationship with ETR at the 0.01 level, consistent with the proposed hypothesis. This indicates that as related party sales increase, tax planning behavior also increases

(resulting in a lower ETR). However, no significant relationships are found for related party expenses (RPE), assets (RPA), or liabilities (RPL). Additionally, the control variable for firm size exhibits a statistically significant positive relationship with ETR at the 0.10 level, implying that larger firms tend to reduce tax planning activities. Cooperate Governance shows a statistically significant positive relationship with ETR at the 0.05 level, suggesting that firms with strong corporate governance tend to engage less in tax planning. The years 2022 and 2023 are positively associated with ETR at the 0.10 and 0.05 significance levels, respectively, indicating a decrease in tax planning activities compared to base year 2020.

The multiple regression analysis of related party transactions and tax planning measured by Tax Cash Flow Out (TCFO) shows that the independent variables explain tax planning behavior with an Adjusted R-squared of 13.6%. Related party sales (RPS) again demonstrate a statistically significant negative relationship with TCFO at the 0.05 level, supporting the hypothesis that increased related party sales correspond to increased tax planning. However, no significant relationships are found for related party expenses (RPE), assets (RPA), or liabilities (RPL). Among control variables, profitability exhibits a statistically significant positive relationship with TCFO at the 0.01 level, indicating that higher profitability is associated with reduced tax planning (i.e., higher tax expenses). Furthermore, firm growth (GROW) shows a statistically significant positive relationship with TCFO at the 0.10 level, suggesting that firms experiencing higher sales growth tend to engage less in tax planning, resulting in increased tax expenses. The years 2021, 2022, and 2023 show a positive association with TCFO at the 0.01, 0.05, and 0.01 significance levels, respectively, indicating a decrease in tax planning activities in these years compared to base year 2020.

Discussions

The findings indicate that related party sales (RPS) are negatively associated with tax planning when measured by ETR and the ratio of corporate income tax expense to operating cash flows (TCFO). In other words, higher levels of related party sales tend to correspond with more tax planning behavior. This finding is consistent with prior studies showing that sales of goods and services between related parties lead to increased tax planning. It demonstrates that companies with higher related party sales tend to engage more in tax planning, possibly due to inappropriate transfer pricing practices. For example, setting higher sales prices in loss-making subsidiaries to shift profits and reduce overall tax liabilities (Cheung et al., 2009). Prior studies by Park (2018) Barokah & Sari (2024) and Udomrattanasap (2022) similarly reported a positive relationship between related party sales and tax planning, where companies tend to transfer profits from high-tax jurisdictions to low-tax jurisdictions.

Related party expenses (RPE) and related party liabilities (RPL) show no significant relationship with tax planning. This result supports the findings of Rezeki et al. (2021), who reported that related party expenses and related party liabilities do not significantly influence corporate tax planning decisions. Similarly, related party assets showed no significant relationship with tax planning, supporting the results of Nuritomo et al. (2020) and Udomrattanasap (2022), who found that related party assets do not

significantly affect tax planning decisions. Regarding the disclosure form (Form), no relationship was observed between submitting the Disclosure Form and tax planning. This is consistent with Barokah & Sari (2024), who found no effect of disclosure on tax avoidance following the implementation of Tax Law in Indonesia, indicating that the implementation of Tax Law appears to have no significant impact on corporate tax planning behavior.

Among control variables, firm size shows a positive relationship with ETR, consistent with Firmanzah & Marsoem (2023), who found that larger firms are less likely to engage in tax avoidance due to stricter internal controls and better corporate governance mechanisms. Moreover, profitability and firm growth both show positive relationships with TCFO. The result of profitability is consistent with Tantiyavarong (2009), who found that higher profitability is negatively associated with tax avoidance, suggesting that more profitable firms engage in less tax planning. The result of growth is consistent with Muti'ah et al. (2021), who found that companies with increasing sales growth tend to avoid taxes less, as higher sales growth leads to predictable profits and consequently higher tax expenses. Cooperate Governance shows a statistically significant positive relationship with ETR, consistent with Thanjunpong & Bangmek (2017), who found that an increase in the number of audit committee members is associated with a decrease in tax planning, indicating that firms with strong corporate governance tend to engage in less tax planning. The years 2022 and 2023 exhibit a positive association with both ETR and TCFO compared to the base year 2020. The year 2020 marked the initial outbreak of the COVID-19 pandemic in Thailand and was associated with a decline in tax payments.

Body of Knowledge

This study reveals the relationship between related party transactions and tax planning among companies listed on the Stock Exchange of Thailand. Related party transactions were measured using four variables: related party sales, related party expenses, related party assets, and related party liabilities. Tax planning was measured in two approaches: 1. tax planning that reduces taxable profit without affecting accounting profit, measured by the Effective Tax Rate, and 2. tax planning that reduces both taxable profit and accounting profit, measured by the ratio of corporate income tax expense to operating cash flows.

The findings of this study reveal that despite the implementation of the Tax Law aimed at reducing profit shifting among related parties, related party sales transactions still show a positive association with tax planning. This points to the fact that the current measures may be insufficient to effectively curb tax planning through related-party sales. These results suggest that relevant regulators should consider further refining and strengthening regulatory mechanisms. During the study period, penalty reductions were implemented, which may have undermined the effectiveness of tax law enforcement. It is therefore recommended that tax regulations be enforced more rigorously.

Suggestions

1. Suggestions for applying research results

This study measures tax planning using the Effective Tax Rate (ETR) and the ratio of corporate income tax expense to operating cash flows (TCFO), which captures the overall tax burden. However, there are also alternative proxies for tax planning, such as the Book-Tax Differences (BTD), which reflect the gap between accounting profit and taxable profit, and the Discretionary Permanent Book-Tax Differences (DPBTD), which control for non-discretionary items to better capture non-conforming tax avoidance behaviors.

2. Suggestions for future research

Future research may increase the sample size by including companies listed on the Market for Alternative Investment (MAI) to cover a more diverse sample.

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