

Determinants of Transfer Pricing Decision Factors in Manufacturing Companies in Indonesia

Marfuah^{1*}, Sanintya Mayantya²

^{1,2} Universitas Islam Indonesia

Corresponding author. marfuah@uii.ac.id

Accounting Study Program, Faculty of Business and Economics, Universitas Islam Indonesia

Abstract

The objective of this research is to analyze the influence of tax minimization, bonus mechanism, foreign ownership, exchange rate, and audit quality to transfer pricing decisions. The population of this research is all of the companies in manufacturing companies listed with the Indonesia Stock Exchange from 2020 to 2022. The sample were selected using a purposive sampling method and result for 81 samples. The hypothesis were tested using linear logistic regression analysis. The results of this research are show that tax minimization variable has positive significant effect on company transfer pricing decisions. Bonus mechanism, foreign ownership, and exchange rate has no significant effect on company transfer pricing decisions. Audit quality variables have a significant positive effect on company transfer price decisions. The results of testing of these audit quality variables are in the opposite direction to their predictions. The results of this study have implications for the government that is for the government to make regulations that can prevent the practice of transfer prices whose purpose is more to move taxable income between companies that have a special relationship.

Keywords: *bonus mechanism; foreign ownership; tax minimization; transfer pricing*

Abstrak

Tujuan penelitian ini adalah untuk menganalisis pengaruh minimasi pajak, mekanisme bonus, kepemilikan asing, nilai tukar, dan kualitas audit terhadap keputusan penetapan harga transfer. Populasi penelitian ini adalah semua perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia dari tahun 2020 hingga 2022. Sampel dipilih menggunakan metode purposive sampling dan diperoleh 81 sampel. Hipotesis diuji menggunakan analisis regresi logistik linier. Hasil penelitian ini menunjukkan bahwa variabel minimasi pajak berpengaruh positif signifikan terhadap keputusan penetapan harga transfer perusahaan. Mekanisme bonus, kepemilikan asing, dan nilai tukar tidak berpengaruh signifikan terhadap keputusan penetapan harga transfer perusahaan. Variabel kualitas audit memiliki pengaruh positif yang signifikan terhadap keputusan penetapan harga transfer perusahaan. Hasil pengujian terhadap variabel kualitas audit ini berlawanan arah dengan prediksinya. Hasil penelitian ini mempunyai implikasi bagi pemerintah yaitu agar pemerintah membuat peraturan yang dapat mencegah terjadinya praktik harga transfer yang tujuannya lebih untuk memindahkan pendapatan kena pajak antara perusahaan yang memiliki hubungan istimewa.

Kata Kunci: *mekanisme bonus, kepemilikan asing, minimasi pajak, harga transfer.*

PENDAHULUAN / INTRODUCTION

The development of the business world at this time encourages the growth of multinational companies whose scope of operations is not only in their own country, but also reaching abroad. One of the problems faced by multinational companies is the difference in tax rates between countries. This tax rate difference makes multinational companies do transfer pricing in international transactions (Nurjanah et al., 2015). Transfer pricing is often used as a corporate strategy to get high profits from sales. For-profit companies will try to get the maximum profit through various means including through cost efficiency. This can be done one of them by doing transfer pricing (Hartati et al., 2015). Transfer pricing is the transfer price of the selling price of goods, services, and intangible assets to subsidiaries or to related parties or have special relationships located in various countries. Transfer pricing transactions can occur in divisions within one company, between local companies, or local companies with companies that are abroad (Hartati et al., 2015).

The phenomenon related to the practice of transfer pricing carried out by multinational companies was successfully dismantled by the Directorate General of Taxes in 2017. The Directorate General of Taxes succeeded in dismantling the motives of 2,000 multinational or foreign companies that were identified as taxing. On average, these multinational companies are in arrears of Corporate Income Tax (Article 25 and 29). According to Mekar Satria Utama as Director of Public Relations Services and Counseling from the Directorate General of Taxes, on average 2,000 foreign companies use transfer pricing mode. The goal, first, is to outsmart the amount of profit so that tax payments and dividend payments become low. Second, inflating profits to polish (window-dressing) financial statements. From this practice the state lost trillions of rupiah due to the practice of transfer pricing of foreign companies in Indonesia. The second mode is that these foreign companies usually make use of fiscal facilities, such as tax allowance to avoid tax payments after the tax allowance period runs out (www.cnnindonesia.com, 2017).

In general transactions between taxpayers who have a special relationship are done through transfer pricing. The practice of transfer pricing between parties that have a special relationship can result in a transfer of income, a tax base or the cost of one taxpayer to other taxpayers who can be engineered to reduce the total amount of tax owed on taxpayers who have that special relationship. The Indonesian government began regulating the practice of transfer pricing in 1993 through SE-04 / PJ.7 / 1993. Then followed by KMK 650 / KMK.04 / 1994 about the list of tax haven countries. Only after that in 2009 did Indonesia more seriously pay attention to the practice of transfer pricing through Law Number 36 of 2008 concerning Income Taxes (Setiawan, 2014).

Research on the factors that allegedly drove the practice of transfer pricing in Indonesia has been conducted by several researchers, but gave inconsistent results. Refgia research results (2017), Mayowan, & Karjo (2016), Hartati et al. (2015), and Nurjanah et al. (2015) shows that tax minimization has a significant effect on transfer pricing, while the results of Mispiananti (2015) research show that tax minimization has no significant effect on transfer pricing.

Research Hartati et al. (2015) and Nurjanah et al. (2015) found that the bonus mechanism had a significant effect on transfer pricing, while the research by Ayu et al. (2017), Refgia (2017), Rosa et al. (2017) and Mispiananti (2015) found no effect of the bonus mechanism on transfer pricing. Refgia (2017) found that foreign ownership had a significant positive effect on transfer pricing, while Tiwa et al. (2017) and Nurjanah et al. (2015) failed to prove the positive influence of foreign ownership on transfer pricing.

Chan, Landry, & Jalbert, (2004) found that the exchange rate had a significant positive effect on transfer pricing while Marfuah & Azizah (2014) failed to prove that the exchange rate had an effect on transfer

pricing. Nurjanah et al. (2015) found the influence of company size on transfer pricing while Refgia's research (2017) showed that company size had no effect on transfer pricing. Rosa et al (2017) research results show that audit quality has a positive influence on transfer pricing, while the results of Mayowan & Karjo (2016) research indicate that audit quality does not significantly influence transfer pricing. This study attempts to re-examine the determinants of transfer pricing variables that have not shown consistent results. Therefore the purpose of this study is to examine the effect of tax minimization, bonus mechanisms, foreign ownership, exchange rates, and audit quality on transfer pricing decisions in manufacturing companies in Indonesia.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

International Aspects of Transfer Pricing

According to Datar (2018), what is meant by transfer pricing is the price charged by one subunit for a product or service that is supplied to another subunit in the same organization. According to Suandy (2011), transfer pricing is a systematic manipulation of price with the intention of reducing artificial profit, making it appear as if the company has a loss, avoiding taxes or duties in a country. So, from some of the above it can be concluded that what is meant by transfer pricing is the price contained in each product or service from one division to another in the same company, or between companies that have a special relationship. Transfer pricing transactions can occur in divisions within one company, between local companies, or local companies with companies that are abroad.

Based on the parties involved, transfer pricing transactions can be grouped into two types, namely (1) Intercompany transfer pricing is a transaction that occurs between two companies that have a special relationship, (2) Intracompany transfer pricing is a transaction that occurs between divisions within a company. Transfer pricing can be done at a company in a country (domestic transfer pricing), or with different countries (international transfer pricing). The purpose of the transfer price changes if it involves a multinational corporation (MNC) as well as goods that are transferred across national borders. The objective of determining international transfer prices is focused on minimizing taxes, duties, and foreign exchange risk, together with increasing a company's competitiveness and improving relations with foreign governments. Although domestic goals such as managerial motivation and division autonomy are always important, they often become secondary when international transfers are involved. Companies will focus more on reducing total taxes or strengthening foreign subsidiaries. Therefore transfer pricing is also often associated with a systematic pricing engineering aimed at reducing profits which in turn reduces the amount of taxes or duties from a country.

Effects of Tax Minimization on Transfer Pricing

Hartati et al. (2015) and Gusnardi (2009), stated that multinational companies do transfer pricing to minimize corporate tax obligations globally. According to Yani (2001), tax motivation in transfer pricing in multinational companies is carried out by moving income to the country with the lowest tax burden, where the country has a group of companies or divisions of companies that operate.

Yuniasih et al. (2012), states that tax has a positive effect on the company's decision to transfer pricing. The tax burden that is increasingly large triggers companies to do transfer pricing in the hope that they can reduce the burden. Because in business practices, entrepreneurs generally identify tax payments as an expense so that they will always try to minimize these costs in order to optimize profits. Increasing tax burden triggers companies to do transfer pricing in the hope that they can reduce the burden, because in business practices, entrepreneurs generally identify tax payments as an expense so that they will always try to minimize these costs in order to optimize profits (Hartati et al., 2015). The effect of tax minimization on transfer pricing is

also evidenced in the research of Ayu et al. (2017) and Tiwa et al. (2017) who found that tax had a significant positive effect on the application of transfer pricing.

H1: Tax minimization has a positive effect on transfer pricing

Effect of Bonus Mechanisms on Transfer Pricing

Bonus mechanisms are additional compensation or rewards given to employees for the successful achievement of goals targeted by the company. A bonus mechanism based on earnings is the most frequently used method by companies in giving awards to directors or managers (Refgia, 2017). According to Ayu et al. (2017), company owners usually use a bonus system to improve employee performance, so that the profits generated each year are higher. Some companies use a bonus plan. In positive accounting theory there is a bonus plan hypothesis stating that company managers basically want a large bonus from the company, one way to change reported earnings. To maximize current period earnings, the manager must adjust to the accounting procedures applied if there is a plan for giving bonuses by the owner. If the bonus received by the manager is based on the achievement of the company's overall profit then it is logical if the manager reports high net income.

Referring to the study of Lo et al., (2010), which found that there is a tendency for management to use transfer pricing transactions to maximize the bonuses they receive if the bonus is based on profit. So it can be concluded that managers will tend to take actions that regulate net income by means of transfer pricing practices in order to maximize the bonuses they receive. Therefore, the higher the company's profit to be achieved to maximize bonuses, the more likely the transfer pricing practice is carried out by the company's management (Hartati et al., 2015). Hartati et al. (2015) and Nurjanah et al. (2015) shows that the bonus mechanism has a significant positive effect on transfer pricing.

H2: The bonus mechanism has a positive effect on transfer pricing

Effects of Foreign Ownership on Transfer Pricing

In the ownership structure there are two types of shareholders, namely controlling shareholders and non-controlling shareholders. The controlling shareholder has the authority to oversee management, because the controlling shareholder has a higher position and has better access to information. This allows the controlling shareholder to abuse the control rights for his own welfare. Companies whose shares are owned by foreign parties allow companies to conduct transactions between related parties. If a foreign party has a majority share, the foreign party will have the power to control the management in transfer pricing.

Research conducted by Dyanty et al. (2011) shows that the higher control rights held by controlling shareholders, including foreign controlling shareholders, allow controlling shareholders to order management to conduct related party transactions that are detrimental to non controlling shareholders and benefit themselves. One possible related party transaction is transfer pricing.

Kiswanto and Purwaningsih (2013) show that the increasing percentage of foreign ownership can put shareholders in a strong position to control the company, including controlling the decisions regarding the transfer pricing done by the company so that foreign ownership influences transfer pricing. The influence of foreign ownership on transfer pricing is supported in research Refgia (2017) and Kiswanto & Purwaningsih, (2013) which show that foreign ownership has a positive effect on transfer pricing.

H3: Foreign ownership has a positive effect on transfer pricing

Effects of Exchange Rate on Transfer Pricing

An exchange rate or often referred to as an exchange rate is the price of one unit of foreign currency in the domestic currency or it can also be said the price of the domestic currency against foreign currencies

(Bank Indonesia, 2004). Exchange rates have two accounting effects, namely to enter foreign currency transactions and disclosure of profits and / or losses that can affect the company's overall profit. As a result, multinational companies may try to reduce foreign exchange risk by moving funds to strong currencies through transfer pricing to maximize overall corporate profits (Chan et al., 2004). The results of Chan et al. (2004) shows that the exchange rate has a significant positive effect on transfer pricing. Based on the description above, the hypothesis proposed is:

H4: Exchange rate has a positive effect on transfer pricing

Effects of Audit Quality on Transfer Pricing

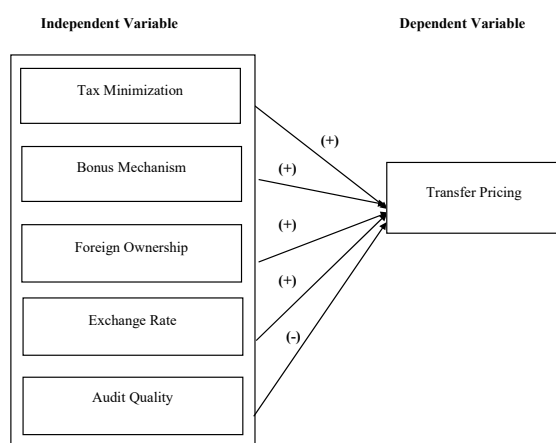
Audit quality can be interpreted as good or not an examination conducted by the auditor (Mayowan & Karjo, 2016). Transparency is an important principle in GCG. This can be done by reporting matters related to taxation in the capital market and RUPS. Audit quality is based on considerations which include several elements that are in Good Corporate Governance, namely, openness, honesty and accountability (Rosa et al., 2017).

Annisa and Kurniasih (2012) stated that audit quality affects the implementation of tax avoidance. The more audit quality of a company, the company tends not to manipulate earnings for tax purposes. One way in tax avoidance is transfer pricing. If a company is audited by a qualified Public Accounting Firm, it will be increasingly difficult to implement an aggressive tax policy. The more quality audit results of a company, the company tends to be more transparent in reporting matters regarding tax so that the transfer pricing practice within the company will be smaller. The results of Mayowan & Karjo's research (2016) show that audit quality has a significant effect on transfer pricing.

H5: Audit quality has a negative effect on transfer pricing.

Research Model

A research model for describing the relationship between the independent variables and the dependent variable is presented in Figure 1 below:



Picture 1. Research Model

METODE / METHOD

The population in this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2020-2022, as many as 27 companies were selected as samples or 81 companies for 3 years. The sample selection process is presented in table 1 below:

Table 1. The Sample Selection Process

NO	Criteria	Total
----	----------	-------

1.	Manufacturing companies listed on the Indonesia Stock Exchange in 2020-2022	142
2.	Companies that do not report the company's financial statements in a row in 2020-2022	(28)
3.	Companies that do not issue financial statements in rupiah	(23)
4.	Companies that report losses in 2020-2022	(17)
5.	Foreign-controlled company with ownership percentage below 20%	(47)
	Number of samples for 1 year	27
	Number of samples for 3 year	81

Source: Processed

Data

The data used in this study are secondary data in the form of company annual reports. Data sources were obtained from the website www.idx.co.id. Data is collected by the documentation method, namely by studying or studying documents or written sources and other archives that are relevant to the research topic.

The variables of this study consisted of independent and dependent variables. Tax minimization, bonus mechanism, foreign ownership, exchange rate and audit quality are independent variables while transfer pricing is the dependent variable in this study. Transfer pricing variables are calculated using the dichotomous approach, namely by looking at the existence of sales to parties that have a special relationship. For companies that sell to parties that have a special relationship are given a value of 1 and those not given a value of 0.

Tax minimization variable is measured using a ratio scale. The ratio used is the Effective tax rate (ETR). Effective tax rate is the ratio of tax expense minus differed tax expense divided by taxable profit. The bonus mechanism variable is measured using a ratio scale that is the Net Profit Trend Index (ITRENDLB). The variable of foreign ownership is measured using a ratio scale that is the number of share ownership by foreign parties divided by the number of shares outstanding. Variable exchange rate is measured using a ratio scale that is the profit and loss of the exchange rate divided by the income before tax.

Audit quality variables are measured using dummy variables. If the financial statement audit is carried out by The Big Ten Public Accounting Firm including, PriceWaterhouse Cooper – PWC KAP Tanudireja, Wibisana, Rintis and Partners; Deloitte Touche Tohmatsu KAP Osman Bing Satrio; KMPG KAP Siddharta Widjaja and Partners; Ernest & Young - E&Y KAP Purwantono, Suherman, Surja; RSM AAJ - McGladrey & Pullen; Grant Thornton; CBIZ Mayer Hoffman McCann; BDO USA; Crowe Horwath and BKD are valued 1 and 0 if the financial statement audit is not carried out by The Big Ten Public Accounting Firm.

Data analysis method used to test the hypothesis in this study is logistic regression analysis. The logistic regression equation model is as follows:

$$\text{Logit}(\pi_j) = \ln \frac{\pi}{1-\pi} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e \dots (1)$$

Explanation:

π_j : probability that the j factor or covariate has a response = 1 from the binary logistic regression response that has a value of 0
 β_0 : constants, $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$: coefficient of the independent variable, X1: Tax Minimization, X2: Bonus Mechanism, X3: Foreign Ownership, X4: Exchange Rate, X5: Audit Quality, e : error term

HASIL DAN PEMBAHASAN / RESULT AND DISCUSSION

Descriptive statistical analysis in this study illustrates the data of each research variable which includes the mean, minimum, maximum, and standard deviation. Statistical descriptive results are presented in table 2 below.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Standar Deviation
<i>Tax Minimization (X1)</i>	81	-26.6684	7.9829	-0.336667	4.1902218
Bonus Mechanism (X2)	81	-0.5000	9.2943	1.307732	1.2957898
Foreign Ownership (X3)	81	0.2248	0.9818	0.604720	0.2354336
<i>Exchange Rate (X4)</i>	81	-0.6866	0.6056	-0.007586	0.1525592
Audit Quality (X5)	81	0	1	0.81	0.391
<i>Trasnfer Pricing (Y)</i>	81	0	1	0.85	0.357

Source: Processed Data, 2019

Audit quality variables have an average value of 0.81, a standard deviation of 0.391 with minimum and maximum values of 0 and 1. This indicates that sample companies listed on the Indonesia Stock Exchange in 2020-2022 were audited by The Big Ten an average of 81% or as many as 66 companies while the remaining 19% or 15 companies are not audited by The Big Ten.

The transfer pricing variable has an average value of 0.85, a standard deviation of 0.357 with minimum and maximum values of 0 and 1. This indicates that sample companies listed on the Indonesia Stock Exchange in 2020-2022 carried out average transfer pricing an average of 85% or as many as 69 companies while the remaining 15% or 12 companies do not transfer pricing.

Multicollinearity test in logistic regression uses correlation between independent variables to see the magnitude of correlation between independent variables. Multicollinearity test results with the correlation matrix can be seen that the value of the correlation coefficient between variables is not greater than 0.8. This shows that there are no multicollinearity symptoms that occur between the independent variables.

The feasibility of a logistic regression model using Hosmer and Lemeshow's Goodness of Fit Test showed a Chi-Square value of 5,641 with a significance of 0.687. This shows that the regression model can be used to be able to predict the value of its oservation.

The results of the overall suitability of the regression model (overall model fit test) can be seen that the value of -2 log likelihood (-2LL) at the beginning (Block Number = 0) has decreased the value of -2 log likelihood (-2LL) at the end (Block Number = 1) after the inclusion of several independent variables in this study. It can be seen that the value of -2 log likelihood (-2LL) at the beginning (Block Number = 0) is 67,956. While the value of -2 log likelihood (-2LL) at the end (Block Number = 1) decreased after the inclusion of several independent variables in this study, the value of -2LL amounted to 48,619. This decrease shows a good regression model or in other words a model that is hypothesized fit with data, meaning that the addition of independent variables namely tax minimization, bonus mechanisms, foreign ownership, exchange rates, and audit quality will improve the fit model in this study.

Nagelkerke R Square value of 0.374 means that the variability of the dependent variable can be explained by the independent variable at 37.4%. The remaining 62.6% is explained by other variables outside the research model.

Sig-Wald test is used to determine the effect of each independent variable on the dependent variable presented in the following table:

Table 3. Hypothesis Test Results

Independent Variable	B	Wald	Sig.	Exp(B)	Explanation
<i>Tax Minimization (X1)</i>	0.176	4.350	0.037	1.193	H1 Supported
Bonus Mechanism (X2)	0.492	1.209	0.272	1.635	H2 Not supported
Foreign Ownership (X3)	1.359	0.549	0.459	3.892	H2 Not supported
<i>Exchange Rate (X4)</i>	-3.099	1.967	0.161	0.045	H2 Not supported
Audit Quality (X5)	2.658	9.049	0.003	14.263	H2 Not supported
Constant	-1.276	1.237	0.266	0.279	

Source: Processed Data

Effects of Tax Minimization on Transfer Pricing

The first hypothesis which states that tax minimization has a positive effect on transfer pricing decisions is supported. This shows that the greater the amount of tax burden that companies must pay to the state, profit-oriented manufacturing companies are increasingly triggered to do various ways in order to minimize the amount of tax that must be paid by one way to implement transfer pricing.

The results of this study are consistent with research by Ayu et al. (2017) and Tiwa et al. (2017), and Nurjanah et al. (2015) which states that tax minimization has a positive effect on transfer pricing decisions. To reduce the total tax burden, manufacturing companies choose to carry out tax management by conducting transactions with other companies in other countries that are still affiliated. The possibility for companies to practice transfer pricing will increase if a country imposes a high tax rate. Companies that get high profits and are in countries that have high tax rates will shift profits and revenues to countries that are classified as low tax countries.

Information asymmetry that occurs between shareholders and management gives management freedom to carry out activities that are not fully known by shareholders. In this case, management utilizes tax loopholes between different countries to practice transfer pricing to reduce the tax burden (Ayu et al., 2017).

Effect of Bonus Mechanisms on Transfer Pricing

The second hypothesis which states that the bonus mechanism has a positive effect on transfer pricing decisions is not supported. These results indicate that the bonus mechanism does not encourage the transfer pricing action of manufacturing companies in Indonesia. The results of this study are not in accordance with Hartati et al. (2015) and Nurjanah et al. (2015) which shows that the bonus mechanism has a significant positive effect on transfer pricing. The results of this study are consistent with research by Ayu et al. (2017), Refgia (2017) and Rosa et al. (2017) and Mispianiti (2015) which show that the bonus mechanism does not significantly influence transfer pricing. This is likely because the company wants to get a high bonus and the directors dare to do transfer pricing transactions to provide a temporary increase in profits for the company, so this is very inappropriate. The results of this study are also in accordance with the study of Wafiroh and Hapsari (2016) which states that if only because of the motive of wanting to get bonus directors dare to do transfer pricing transactions in order to provide temporary profit increases for the company then this is very unethical given there are far greater interests namely maintaining the value of the company in the eyes of the public and the government by presenting financial reports that are reliable and can be used for the purpose of decision making of its users.

This result is likely due to the bonus mechanism in this study which is measured based on the profits of the company. In carrying out their duties, the directors tend to want to show good performance to company owners, one of which is trying to report high corporate profits. With high profits, the directors will get an award in the form of a bonus. However, it is possible that the Board of Directors will not only implement ways to maximize company profits by conducting transfer pricing practices.

Effect of Foreign Ownership on Transfer Pricing

The third hypothesis which states that foreign ownership positively influences the transfer pricing decision is not supported. The results of this study are not in accordance with Refgia (2017) and Kiswanto & Purwaningsih (2013) which show that foreign ownership has a positive effect on transfer pricing. This study is in accordance with research conducted by Tiwa et al. (2017) and Nurjanah et al. (2015) which shows that foreign ownership does not affect the transfer pricing decision. The lack of influence of foreign ownership on the transfer pricing practice is likely due to the fact that foreign controlling shareholders prefer the long-term sustainability of the company so that they do not use their position to influence decisions that may harm the long-term company, including transfer pricing decisions that are likely to harm the long-term company.

Effect of Exchange Rate on Transfer Pricing

The fourth hypothesis which states that the exchange rate has a positive effect on the transfer pricing decision is not supported. The results of this study are not in accordance with the research of Chan et al. (2014) which states that multinational companies might try to reduce the risk of foreign exchange rates by moving funds to strong currencies through transfer pricing to maximize overall corporate profits.

This result is in accordance with research by Marfuah and Azizah (2014) which states that the size of the exchange rates does not affect the company's judgment whether the company will choose to make a transfer pricing decision in the company or not. This result is likely due to the fact that if the company moves funds to a strong currency, the constantly fluctuating currency exchange rate that is possible can cause the number of units of the originating currency needed to change so that it will not allow the exchange rate to be used as an effort. to do transfer pricing. Another possibility is caused by two accounting effects in the exchange rate, namely to include foreign currency transactions and disclosure of gains and / or losses that can affect the company's overall profit. In the sample company's financial statements used, there are many losses on foreign exchange earnings or losses so that exchange rates do not become the main focus of management's tendency to utilize transfer pricing transactions.

Effect of Audit Quality on Transfer Pricing

The fifth hypothesis stating that audit quality has a negative effect on transfer pricing decisions is not supported, because based on hypothesis testing audit quality actually has a positive and significant effect on transfer pricing decisions. This result is not in accordance with Mayowan & Karjo's (2016) research which shows that audit quality has a significant negative effect on transfer pricing.

This result is in accordance with research conducted by Rosa et al. (2017) which shows that audit quality has a positive effect on transfer pricing. Audit quality has a significant positive effect on transfer pricing, possibly due to inaccuracy in the choice of proxy used to measure audit quality. The use of the Big Ten Public Accounting Firm may not be properly represented as a qualified auditor so that the audit results cannot be used as a basis for assessing indications of a decline in transfer pricing actions undertaken by the company, but instead there is a reverse indication that the company audited by The Big Ten Public Accounting Firm tend to do transfer pricing.

KESIMPULAN / CONCLUSION

This study aims to determine the effect of tax minimization, bonus mechanisms, foreign ownership, exchange rates, and audit quality on transfer pricing decisions in manufacturing companies in Indonesia. Based on the results of the logistic regression analysis it was concluded that of the six hypotheses tested, only the first hypothesis (H1) was supported. The variable tax minimization has a significant positive effect on

transfer pricing decisions. This indicates that the greater the amount of tax burden that must be paid by companies to the state, profit-oriented manufacturing companies are increasingly triggered to do various ways in order to minimize the amount of tax that must be paid by one way to do the transfer pricing action.

Testing of the second hypothesis (H2), third hypothesis (H3) and fourth hypothesis (H4) showed insignificant results. This means that the bonus mechanism, foreign ownership and exchange rate variables do not have a significant positive effect on the company's transfer pricing decision. The results of testing the fifth hypothesis (H5) about the negative effect of audit quality on company transfer pricing decisions show results that are contrary to what is predicted, namely audit quality has a significant positive effect on transfer pricing decisions. This is likely due to inaccuracies in the choice of proxy used to measure audit quality. The use of the Big Ten Public Accounting Firm may not be properly represented as a qualified auditor so that the audit results cannot be used as a basis for assessing indications of a decline in transfer pricing actions undertaken by the company, but instead there is a reverse indication that the company audited by The Big Ten Public Accounting Firm tend to do transfer pricing.

This research has limitations that are expected to be fixed by future researchers. This research was conducted at manufacturing companies without regard to the industrial sector. Future studies are expected to develop this research by conducting additional tests, for example conducting a comparative test (different test) of the transfer pricing practice between the manufacturing industry sub-sectors or comparing the transfer pricing practice with the non-manufacturing industry. Based on the results of logistic regression analysis showed that the value of Nagel Karke R Square was 37.4%. This means that the ability of the five independent variables in explaining the variation of the dependent variable is 37.4%, while the remaining 37.4% is explained by other factors not included in this research model. Therefore, further research is expected to be able to add other independent variables that are suspected to be determinants of the company's decision to transfer pricing, for example debt covenant, and good corporate governance.

REFERENSI / REFERENCE

- Annisa, Nuralifmida, Ayu and Kurniasih, Lulus. (2012). Pengaruh Corporate Governance Terhadap Tax Avoidance. *Jurnal Akuntansi & Auditing* Volume 8. No. 2. : 95-189
- Ayu, G., Surya, R., & Sujana, I. K. (2017). Pengaruh Pajak, Mekanisme Bonus, dan Tunneling Incentive Pada Indikasi Melakukan Transfer Pricing. *E-Jurnal Akuntansi Universitas Udayana*, 19, 1000–1029. Retrieved from <https://ojs.unud.ac.id/index.php/Akuntansi/article/view/27656/18695>.
- Chan, C., Landry, S. P., & Jalbert, T. (2004). Effects of Exchange Rates on International Transfer Pricing Decisions, 1–27. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1754135
- Datar, Srikant, M. and Rajan, Madhad, V. (2018). *Horngren's Cost Accounting: A managerial Emphasis*, 11 th ed. England: Pearson.
- Dyanty, Vera, Sodharta Utama, Hilda Rossieta, and Sylvia Veronica. (2011). “Pengaruh Kepemilikan Pengendali Akhir Terhadap Transaksi Pihak Berelasi.” *SNA XV Banjarmasin*, 1–25.
- Gusnardi. (2009). Penetapan Harga Transfer Dalam Kajian Perpajakan. *Pekbis Jurnal*. Vol. 1.No. 1.
- Hartati, W., Desmiyawati, & Julita. (2015). Tax Minimization, Tunneling Incentive dan Mekanisme Bonus terhadap Keputusan Transfer Pricing Seluruh Perusahaan yang Listing di Bursa Efek Indonesia. *Jurnal SNA*. Retrieved from <http://lib.ibs.ac.id/materi/SNA XVIII/makalah/009.pdf>
- Kiswanto, N., & Purwaningsih, A. (2013). Pengaruh Pajak, Kepemilikan Asing, dan Ukuran Perusahaan terhadap Transfer Pricing pada Perusahaan Manufaktur di BEI Tahun 2010-2014. *E-Jurnal UAJY*. Retrieved from <http://e-journal.uajy.ac.id/6782/1/JURNAL.pdf>
- Lo, W. Y. A., Raymond, M.K W., and Micheal F. (2010). Tax, Financial Reporting, and Tunneling Incentives for Income Shifting: An Empirical Analysis of the Transfer Pricing behavior of Chinese-Listed Companies. *Journal of the American Taxation Association*. Vol. 32. No. 2.

- Marfuah, & Azizah, A. P. N. (2014). Pengaruh Pajak, Tunneling Incentive, dan Exchange Rate pada Keputusan Transfer Pricing Perusahaan. *Jurnal Akuntansi Dan Auditing Indonesia*, (Mangoting). Retrieved from <http://journal.uui.ac.id/index.php/JAAI/article/view/4220/0>
- Mayowan, Y., & Karjo, S. (2016). Pengaruh Pajak, Tunneling Incentive, dan Good Corporate Governance (GCG) terhadap Indikasi Melakukan Transfer Pricing pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia (Studi pada Bursa Efek Indonesia yang Berkaitan dengan Perusahaan Asing. *Jurnal Perpajakan (JEJAK)*, 8(1), 1–9. Retrieved from <http://perpajakan.studentjournal.ub.ac.id/index.php/perpajakan/article/view/244>
- Mispiyanti. (2015). Pengaruh Pajak, Tunneling Incentive dan Mekanisme Bonus Terhadap Keputusan Transfer Pricing. *Jurnal Akuntansi Dan Investasi (UMY)*, 16. Retrieved from <http://journal.umy.ac.id/index.php/ai/article/view/1348>
- Nurjanah, I., Isnawati, & Sondakh, A. G. (2015). Faktor Determinan Keputusan Perusahaan Melakukan Transfer Pricing. *Jurnal SNA*. Retrieved from [http://lib.ibs.ac.id/materi/Prosiding/SNA XIX \(19\) Lampung 2016/makalah/032.pdf](http://lib.ibs.ac.id/materi/Prosiding/SNA_XIX_(19)_Lampung_2016/makalah/032.pdf)
- Refgia, T. (2017). Pengaruh Pajak, Mekanisme Bonus, Ukuran Perusahaan, Kepemilikan Asing, dan Tunneling Incentive terhadap Transfer Pricing. *JOM Fekon*, 4. Retrieved from <https://jom.unri.ac.id/index.php/JOMFEKON/article/view/12339>
- Rosa, R., Andini, R., & Raharjo, K. (2017). Pengaruh Pajak, Tunneling Incentive, Mekanisme Bonus, Debt Covenant, dan Good Corporate Governance (GCG) terhadap transaksi Transfer Pricing (Studi pada Perusahaan Manufaktur yang terdaftar di Bursa Efek Indonesia tahun 2013-2015). *Jurnal Unpand*. Retrieved from <https://jurnal.unpand.ac.id/index.php/AKS/article/viewFile/806/782>
- Setiawan, Hadi, “Transfer Pricing dan Risikonya terhadap Penerimaan Negara”, http://www.kemenkeu.go.id/sites/default/files/2014_kajian_pprf_Transfer%20Pricing%20dan%20Risikonya%20Terhadap%20Penerimaan%20Negara.pdf, Diakses tanggal 17 Januari 2016.
- Suandy ,Erly. (2011). *Hukum Pajak*. Jakarta: Salemba Empat.
- Tiwa, E. M., Saerang, D. P. ., & Tirayoh, V. Z. (2017). Pengaruh Pajak dan Kepemilikan Asing Terhadap Penerapan Transfer Pricing pada Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2013-2015. *Jurnal EMBA*, 5(2), 2666–2675. Retrieved from <https://ejournal.unsrat.ac.id/index.php/emba/article/view/17105/16670>
- Wafiroh , Novi Lailiyul and Hapsari, Niken Nindya. (2016). *Pajak, Tunneling Incentive dan Mekanisme Bonus Pada Keputusan Transfer Pricing. Jurnal Muhabasa: Jurnal Akuntansi, Vol.6. NO. 2*. Retrieved from <http://ejournal.uin-malang.ac.id/index.php/el-muhasaba/article/view/3899>
- Yuniasih, Wayan, Ni, Ni Ketut Rasmini and Made Gede Wirakusuma. 2012. Pengaruh Pajak Dan Tunneling Incentive Pada Keputusan Transfer Pricing Perusahaan Manufaktur Yang Listing Di Bursa Efek Indonesia. *Jurnal Universitas Udayana*.
www.cnnindonesia.com diakses 23 November 2017