

Analysis of The Influence of Taxes, Tunnelling Incentives, and Exchange Rate on Transfer Pricing

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Abstract

This research aims to examine the impact of taxes, tunneling incentives, and exchange rates on transfer pricing practices among manufacturing companies in the Basic Industry and Chemical sectors listed on the Indonesian Stock Exchange. The study utilized a purposive sampling method to select a sample of 11 companies for in-depth analysis. The methodological approach involved using panel data regression techniques with Random Effect Models implemented through the EViews software. The findings of this study reveal that, collectively, the variables of taxes, tunneling incentive, and exchange rate significantly influence transfer pricing decisions. Individually, however, the tax variable does not show a significant effect on transfer pricing, suggesting that other factors may play a more decisive role. In contrast, tunneling incentive and exchange rate are found to significantly affect transfer pricing practices. Specifically, the study highlights that a rising exchange rate is a critical factor that motivates companies to engage in transfer pricing, potentially as a strategic response to enhance profitability or manage costs associated with foreign exchange risks. The research indicates that changes in exchange rates can have substantial impacts on a country's trade balance, underlining the broader economic implications of transfer pricing. This study not only contributes to the academic literature by clarifying the dynamics between these variables and transfer pricing but also offers practical insights for policymakers and company executives aiming to understand or regulate transfer pricing behaviors of fluctuating economic conditions.

I. INTRODUCTION

Globalization role in remove limitation between countries For make it easier current goods, services, capital and resources Power man. This matter because exists convenience for company for do expansion with open branches and offices child companies in various countries, so company national now switch become company multinational operating in many foreign countries [1]. Amount company increasing multinationalism cause transfer pricing becomes problems encountered attention by authorities' taxes in many countries. That matter make many countries in the world started introduce transfer pricing . Transfer pricing in accountancy known as policy applied price For submission goods and services between department company with objective For evaluate performance from each department [2]. Transfer Pricing sets top transfer price transactions in the company multinational with use Special prices are not in accordance with the market [3]. The term transfer pricing refers to wrongdoing or something that doesn't good (abuse of transfer pricing), namely transfer income money from company with tariff more taxes tall to other companies get it tariff tax more low which results burden taxes borne Far more low than it should be paid by the company. Company decision play report the finances are very high so that give rise to company do transfer pricing so that profit earned more small and the taxes paid will also be small too [4]. Following researcher serve tables and images of result data calculation of average Tax, Tunnelling Incentive, Exchange Rate and Transfer Pricing in Manufacturing Companies Basic Industry and Chemical sectors listed on the Indonesia Stock Exchange (BEI) 2018-2022.

In table 1, seen that transfer pricing from 2018 – 2022 shows that fluctuating movement The highest transfer pricing value was in 2020. Based on data released by the OECD, the total number of cases was found transfer pricing in Indonesia begins increase from beginning in 2018 there were 33 cases , then increase up to 37 cases in 2019 , then experience decline in 2020 to 2022. Dispute case transfer pricing increased by 20% of amount range previously namely 20% [5]. Besides that can see increase tax from 2018 to in 2019 it reached 8.82 % while in 2020 to in 2022 experience decline reached 11.83%. So that can said tariff tax effective No in line with movement fluctuating transfer pricing. This matter show exists gap Because tariff tax low No become reason company No do transfer pricing For avoid or minimize payment tax . High Tunnelling Incentive reflect that Lots company Already do transfer assets and profits

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holder share majority to holder share minority. This matter show that There is gap because Tunnelling incentives can influence decision company For do practice transfer pricing.

Table 1. Tax Data, Tunnelling Incentive, Exchange Rate, and Transfer Pricing

Year	Tax	Tunnelling Incentives	Exchange Rates	Transfer Pricing
2018	26.17%	54.90%	5.16%	31.92%
2019	34.99%	56.06%	7.23%	29.15%
2020	29.86%	54.05%	6.51%	33.94%
2021	22.09%	53.29%	2.33%	33.89%
2022	23.19%	56.26%	15.55%	26.50%
Average	27.26%	54.91%	7.35%	31.08%

Source : processed data writer (2024)

A number of study previously that is [3] documents that Tunnelling incentive has an effect positive to transfer pricing. So that Can said Lots holder share transfer temporary assets membership or child company with transfer pricing so can emphasize the burdens it creates subtraction profit company. [6] Tunnelling incentives do not influential to transfer pricing. [7] Exchange rate has an influence positive to transfer pricing. So that can conclude that Lots company do exchange between two countries that have mutually agreed upon do trade. [8] Exchange rate does not influential to transfer pricing. Evidence of findings from a number of results study previous related connection between taxes, Tunnelling incentives, and exchange rates against transfer pricing shows inconsistent results. Apart from that, there are differences between study This with study previously is object research which is in research This researcher interested For researching on the Corporate sector industry basic and chemical listed on the Indonesian Stock Exchange (BEI). Research purposes This that is test influence taxes, Tunnelling incentives, exchange rates to transfer pricing on company sector industry basic and chemical listed on the Indonesian Stock Exchange.

Agency Theory known as theory agency which refers to relationships contractual between a number of leaders and other parties or agency that employs people for do various tasks and create decision[9]. Connection between theory agency and transfer pricing based on assumptions that characteristic man cause problem agency. Connection between theory agency and transfer pricing based on assumptions that characteristic man explains that every man tend will focus on the interests myself , so cause problem agency that can appear Because there are people with different interests However each other Work The same in finish various tasks [10]. Redirection assets and profits company For interest holder owning shares control on company known as Tunnelling incentive [11]. This Tunnelling action causes minority shareholders to lose income. This happens because merger and acquisition strategies allow majority owners to tunnel against minorities. To develop, businesses use mergers as one of their strategies. The exchange rate, also referred to as the exchange rate, is the value of two currencies against current or future payments [12]. It is very important to understand the difference between the normal exchange rate and the real exchange rate because both affect the risk of the exchange rate.

[13] Tax impact positive to transfer pricing, where transaction done with reduce amount taxes paid something entities located in other countries. The entity that does activity Tunnelling incentives with transfer riches to other entities abroad for reduce the advantage so that can reduce cost tax entity the. This matter become fact that the more tall tariff state tax then will the more big possibility company do transfer pricing. [14] Tunnelling incentive Partial influential to transfer pricing. Tunnelling incentive is activities carried out by the holder share majority or purposeful controller For obtain profit personal through transfers of assets and resources Power company. The company will more easy do transfer pricing if there is conflict between both of them . Tunnelling incentives are carried out with method deposit income company to transferred company to company affiliate so that profit company beginning become more small. Transactions carried out is sale or purchases and prices are not reasonable used For profitable holder share affiliate.

Exchange rate influential significant on transfer pricing. Therefore that, increasingly strong mark swap foreign currency will influence method company think about method do transfer pricing. Management can ensure amount of money available For payment If mark swap Keep going fluctuate, that will influence price sell goods or services that will traded. As a result , the decision management For use transfer pricing become choice main. Production prices will also affected by change price swap Because purchase material standard cheap or expensive than overseas will increase or lower price production.

H1: Expected Tax, Tunnelling Incentive, and Exchange Rate influential significant in a way simultaneous to Transfer Pricing.

Multinational company with branches in various countries tend to change obligation tax they from countries with tariff tax tall to countries with tariff tax low in the transfer pricing process [3]. [1] Tax own significant influence to transfer price. [7] Tax own significant influence to transfer price . Based on explanation the , hypothesis study This is :

H2: It is suspected that taxes have a significant effect on transfer pricing.

One way to engage in tunnelling is to sell company assets to companies that have connections with managers, or to sell products at a discount to companies that have relationships with managers while keeping the company's standing or reputation intact. Tunnelling Incentive has a considerable impact on Transfer Pricing[1][14], Tunnelling Incentives significantly impact Transfer Pricing.

Tunnelling can be done by selling company products to companies that have relationships with managers at prices lower than market prices, maintaining their position or reputation even though the employee is no longer competent in managing their business or selling company assets to companies that have relationships with managers (parties). affiliated). [1] Tunnelling Incentive has a significant effect on Transfer Pricing. [14] Tunnelling Incentive has a significant effect on Transfer Pricing . Based on this description, the hypothesis proposed in this research is:

H3: It is suspected that Tunnelling Incentive has a significant effect on Transfer Pricing.

The exchange rate is the value of a currency in relation to present or future payments. [15] state that because of currency fluctuations, the majority of multinational corporations need to swap one currency for another in order to make payments. This results from fluctuating currency conversion rates as well as the unpredictability of the quantity of cash needed to make payments. As a result, multinational corporations use transfer pricing to move money to strong currencies while maximizing profits in an effort to lower exchange rate risk. Changes in currency values had a favourable effect on transfer pricing. [7] Transfer fees are significantly impacted by the currency rate. In light of this reasoning, the following is the second hypothesis put forth in this study:

H4: It is suspected that the Exchange Rate has an influence on Transfer Pricing.

Based on the description of several previous research results above and the development of hypotheses, the framework below explains the relationship between the variables that will be tested in this research.

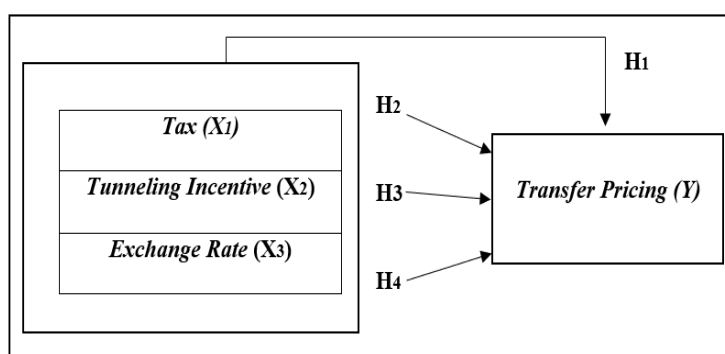


Figure 1. Conceptual Framework

II. METHODS

a. Data and Sample

In this research the data used is secondary data. The secondary data used by the author is in the form of financial reports of manufacturing companies listed on the Indonesia Stock Exchange (BEI) which have been audited from 2018 to 2022. The object of this research is of concern in the research, because the object of this research is to find answers or solutions to problems that arise. There is. Data collected from company data listed on the Indonesia Stock Exchange (BEI) via the website (www.idx.co.id).

The sampling method used is samples that meet certain criteria. If there are companies that do not meet the criteria set by the researcher, they will be excluded from the sample, because the population was selected using a purposive sampling technique, namely specifically [16]. The requirements for sampling are Basic Industry and Chemical sector companies listed on the Indonesia Stock Exchange (IDX) which are as follows:

- 1) Companies in the research period from 2018 to 2022.
- 2) Companies are publish completed annual report during the research period from 2018 to 2022.
- 3) Companies have financial reports in rupiah during the research period from 2018 to 2022.
- 4) Companies that do not experience losses from 2018 to 2022.
- 5) Companies that have complete measurement variables in their financial reports for the period 2018 to 2022.

b. Variables and Measurement

The dependent variable in this research is transfer pricing (Y). Transfer pricing is a company policy in determining the transfer price of a transaction for each product or service with parties who have a special relationship with the aim of maximizing profits.

Independent variables are variables that influence or cause changes or emergence of independent variables (dependent variables). The independent variables in this research are taxes, Tunnelling incentives, and exchange rates in basic industrial and chemical sector companies listed on the IDX.

- a) Tax (X1) . Taxes are the largest source of state revenue after oil and gas. According to the Taxation Law (UU No. 36 of 2008) tax is a mandatory contribution made to the state by individuals or bodies that is coercive

- based on the law, without receiving direct compensation and is used for the interests of the state for the greatest prosperity of the tax. High tax payments make companies avoid taxes by carrying out transfer pricing
- b) Tunnelling Incentive (X2) . Majority shareholders carry out Tunnelling incentives by handing over company assets and profits for personal gain, while minority shareholders must bear these costs. To take advantage of Tunnelling incentives, companies that have relationships with managers can sell their company's products at lower prices than market prices and maintain their positions and positions, even if their work is not of high quality.
 - c) Exchange Rate (X3)
exchange rate of a country's currency with another country's currency is known as the exchange rate, which can be used as a means of payment now or in the future. According to [12], exchange rates can affect a country's trade balance due to differences in the value of exports and imports.

Table 2. Variables and Measurements

No	Variable	Proxy or Measurement	Reference
1.	Transfer Pricing (Y)	$TP = \frac{\text{Piutang Usaha Pihak Berelasi}}{\text{Total Piutang}}$	[17]
2.	Tax (X1)	$ETR = \frac{\text{Beban Pajak}}{\text{Laba Sebelum Pajak}}$	[18]
3.	Tunnelling Incentives (X2)	$TNC = \frac{\text{Jumlah kepemilikan saham Terbesar}}{\text{Jumlah saham yang beredar}}$	[14]
4.	Exchange Rates (X3)	$ER = \frac{\text{Laba (rugi)selisih kurs}}{\text{Laba sebelum pajak}}$	[15]

c. Analysis Method

This research uses a panel data regression model which can be carried out using the common effect (time series), fixed effect (cross section) and random effect (combination of time series and cross section) methods . Meanwhile, to determine which method is more appropriate for this research, using the Chow Test, Husman Test and Lagrange multiplier Test [19]. After determining the method to be used, hypothesis testing is carried out using the Ordinal Least Square (OLS) method, also known as the least squares technique, to estimate the panel data model. The data panel was created to facilitate interpretation because this method does not take into account individual or time aspects, so the data assumes that the data behaviour between companies is the same over time. However, this method is considered unrealistic because the same intercept value is often obtained, so it is not efficient to use in every estimation model.

III. RESULTS

Based on sample determination using purposive sampling techniques for Basic and Chemical sector companies There were 71 companies listed on the Indonesia Stock Exchange (BEI) during the 2018-2022 period, 11 companies were selected that met the researchers' criteria. The years chosen were 2018-2022, with a total of 5 years of research period. so that a sample of 55 observation data was obtained.

Table 1 Descriptive Statistical Analysis Test

	Y	P.J	IT	E.R
Mean	0.310855	0.272600	0.549000	0.073636
Median	0.060000	0.235000	0.552000	0.024000
Maximum	0.986000	0.957000	0.825000	1.219000
Minimum	0.001000	0.026000	0.296000	0.001000
Std. Dev.	0.381143	0.173744	0.129966	0.175894
Skewness	0.796056	2.484263	0.145440	5.333683
Kurtosis	1.881193	9.977326	2.684402	34.28060
Jarque-Bera Probability	8.677504 0.013053	168.1380 0.000000	0.422156 0.809711	2503.116 0.000000
Sum	17.09700	14.99300	30.19500	4.050000
Sum Sq. Dev.	7.844563	1.630095	0.912118	1.670693
Observations	55	55	55	55

Simplest model is Common Effect Model (CEM) because only with combine and combine time series data and cross section data only. Result of Common Effect Model (CEM) viz as following :

Table 2 Common Effects Model

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	0.816002	0.246541	3.309802	0.0017
P.J	0.182299	0.291695	0.624963	0.5348
IT	-1.027323	0.388442	-2.644726	0.0108
E.R	0.124373	0.286911	0.433491	0.6665
MSE Root	0.347735	R-squared		0.152203
Mean dependent var	0.310855	Adjusted R-squared		0.102333
SD dependent var	0.381143	SE of regression		0.361115
Akaike info criterion	0.870705	Sum squared resid		6.650596
				-
Schwarz criterion	1.016693	Log likelihood		19.94438
Hannan-Quinn criter.	0.927160	F-statistic		3.051974
Durbin-Watson stat	0.113070	Prob(F-statistic)		0.036707

Source : Ouput EViews 12, 2024

Based on Table 4 above, the Common Effect Model (CEM) has mark constant 0.204546. Regression value coefficient variable transfer pricing is -0.004359 with probability 0.8263, value regression coefficient variable ownership institutional equal to 0.030266 with probability 0.3305, value regression coefficient variable growth sale of -0.001918 with probability 0.9660, p the can interpreted that there is no variable influential independent to variable dependent. As panel data estimation , this model can used For assume that between individual own different effects. Result of Fixed Effect Model (FEM) ie as following :

Table 3. Fixed Effect Model

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	1.265631	0.111548	11.34609	0.0000
P.J	0.018231	0.087229	0.208998	0.8355
IT	-1.768859	0.185479	-9.536702	0.0000
E.R	0.154233	0.078526	1.964100	0.0563
Effects Specification				
Cross-section fixed (dummy variables)				
MSE Root	0.068319	R-squared		0.967275
Mean dependent var	0.310855	Adjusted R-squared		0.956899
SD dependent var	0.381143	SE of regression		0.079128
Akaike info criterion	-2.020163	Sum squared resid		0.256713
Schwarz criterion	-1.509205	Log likelihood		69.55448
Hannan-Quinn criter .	-1.822572	F-statistic		93.22060
Durbin-Watson stat	1.969618	Prob(F-statistic)		0.000000

Source : Output EViews 12, 2024

Based on Table 5, the Fixed Effect Model (FEM) has a constant value of 1.265631. The regression coefficient value for the Tax variable is 0.018231 with a probability of 0.8355, the regression coefficient value for the Tunnelling Incentive variable is -1.768859 with a probability of 0.0000, the regression coefficient value for the Exchange Rate variable is 0.154233 with a probability of 0.0563, this can be interpreted as meaning that all independent variables have no effect on the dependent variable. This Random Effect Model (REM) method is a difference in individual characteristics and time with interference (error) from the model used. The results of the Random Effect Model (REM) are as follows:

Table 6. Random Effect Model

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	1.251096	0.210771	5.935814	0.0000
P.J	0.022379	0.081896	0.273260	0.7858
IT	-1.744347	0.386168	-4.517066	0.0000
E.R	0.153516	0.056186	2.732283	0.0086
Effects Specification				
			elementary school	Rho
Random cross-section			0.421366	0.9659
Idiosyncratic random			0.079128	0.0341
Weighted Statistics				
MSE Root	0.074451	R-squared		0.691379
Mean dependent var	0.026015	Adjusted R-squared		0.673225
SD dependent var	0.135251	SE of regression		0.077315
Sum squared resid	0.304862	F-statistic		38.08373
Durbin-Watson stat	1.665961	Prob(F-statistic)		0.000000
Unweighted Statistics				
R-squared	0.092897	Mean dependent var		0.310855
Sum squared resid	7.115826	Durbin-Watson stat		0.071374

Source : Output EViews 12, 2024

Based on Table 6 above, the Random Effect Model has a constant value of 1.251096. Tax variable coefficient regression value is -0.001767 with a probability of 0.7858, the regression coefficient value for the Tunnelling Incentive variable is -1.744347 with a probability of 0.0000, the regression coefficient value for the Exchange Rate variable is 0.153516 with a probability of 0.0086. it can be interpreted that all independent variables have an effect on the dependent variable.

After the regression results using the Common Effect Model, Fixed Effect Model and Random Effect Model are obtained, the next step is to carry out several tests such as the Chow Test and Hausman Test. This test was carried out to select the most appropriate model in this research.

Table 7. Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Cross-section fixed effects test

Effects Test	Statistics	df	Prob.
Cross-section F	102.117742	(10.41)	0.0000
Chi-square cross-section	178.997730	10	0.0000

Source : Output Eviews 12, 2024

Table 7 above show mark probability cross-section F is 0.0000 so causes H_0 rejected and H_1 accepted , then the model is used is Fixed Effect Model.

Test result coefficient determination obtained mark Adjusted R Square of 67.32% shows that ability independent variable , namely taxes , Tunnelling incentives , and exchange rates explained variable dependent that is transfer pricing only amounting to 67.32%, while the remaining 32.68% is explained by other independent variables which are not observed in the study.

Testing Hypothesis

Testing Hypothesis 1 (H1) uses the F test (simultaneous). Testing for describe big influence from variable independent in a way whole or in a way together to variable dependent. Results of the F test (simultaneous) in the research This is as following :

Table 8. The Results of F Test (Simultaneous)

MSE Root	0.074451	R-squared	0.691379
Mean dependent var	0.026015	Adjusted R-squared	0.673225
SD dependent var	0.135251	SE of regression	0.077315
Sum squared resid	0.304862	F-statistic	38.08373
Durbin-Watson stat	1.665961	Prob(F-statistic)	0.000000

Source : Output EViews 12, 2024

Based on Table 8, show that the F test is in study This own mark F_{count} amounting to 38.08373, you can seen in the table statistics on level significant 0.05 with can is known number of data (n) = 55, total variable (k) = 4, level significant $\alpha = 0.05$, df_1 (number of variables-1) = $4-1 = 3$ and df_2 (nk) or $55-4=51$, result obtained For F_{table} of 2.79. So that $F_{count} > F_{table}$ ($38.08373 > 2.79$) and F test results (simultaneous) were obtained mark Prob (F-statistic) of 0.000000 where mark the more small from level significant ($0.000000 < 0.05$). This matter show that H_1 accepted so that can concluded that in a way taxes, Tunnelling incentives and exchange rates have an influence in a way simultan to transfer pricing.

Testing Hypothesis second until hypothesis fifth use testing The T test (partial) is test used For describe big influence of each variable independent in a way individual or Partial to variable dependent. The results of the t test (partial) are shown from testing t-Statistic is as following :

Table 8. Partial Test (T Test)

Variables	Coefficien t	Std. Error	t-Statistics	Prob.
C	1.251096	0.210771	5.935814	0.0000
P.J	0.022379	0.081896	0.273260	0.7858
IT	-1.744347	0.386168	-4.517066	0.0000
E.R	0.153516	0.056186	2.732283	0.0086

Source : Ouput EViews 12, 2024

Based on Table 8 t test results were obtained t_{table} is as big as 2.00758 with use mark significant 0.05 or 5%. Based on 2 types method calculation the can concluded hypothesis testing variable dependent against each variable independent is as following :

Based on results testing Hypothesis second (H_2) is carried out to tax obtained mark $t_{count} < t_{table}$ or ($0.273260 < 2.00758$). This is also strengthened with mark probability $> Sig.0.05$ or ($0.7858 > 0.05$). With thereby then H_2 dit reject and H_0 accepted, p This show that tax No influential significant regarding transfer pricing. Test result Hypothesis third (H_3) is carried out to Tunnelling incentive is obtained mark $t_{count} > t_{table}$ or ($4.517066 > 2.00758$). This is also strengthened with mark probability $< Sig.0.05$ or ($0.0000 < 0.05$). With thereby then H_3 accepted and H_0 rejected, p This show that Tunnelling incentives influential significant regarding transfer pricing. Next , based on the results testing Hypothesis fourth (H_4) is carried out to exchange rate obtained mark $t_{count} < t_{table}$ or ($2.732283 > 2.00758$). This is also strengthened with mark probability $> Sig.0.05$ or ($0.0086 < 0.05$). With thereby then H_4 accepted and H_0 rejected, p This show that exchange rate influential significant regarding transfer pricing.

Discussion

Based on agency theory avoidance tax, company inclined look for method for zoom out burden tax they. In matter This is for minimize burden taxes borne company, company No must do transfer pricing . Companies can do planning tax For minimize burden tax . The more low tariff tax a country does not influence company For do transfer pricing. [20] Tax no influential to transfer pricing. Taxes partially have no effect on transfer pricing. High or low tax costs paid by companies do not necessarily cause companies not to practice transfer pricing. Taxes had a positive effect on company decisions in carrying out transfer pricing. This shows that manufacturing companies will continue to carry out transfer pricing by carrying out transactions with affiliated companies located outside national borders, so that profits are reduced and taxes paid are also reduced.

Research evidence shows that Tunnelling incentives have a significant effect on transfer pricing. Tunnelling incentives in research This be measured with ratio between amount share biggest to amount share circulating. [14] Tunnelling incentive has an effect significant to transfer pricing. [21] Tunnelling incentives have a significant effect on transfer pricing. [22] Tunnelling incentives did not have a significant effect on transfer pricing. This shows that manufacturing companies continue to carry out transfer pricing by transferring company assets and profits for personal interests by controlling shareholders.

The next test shows that the exchange rate has a significant effect on transfer pricing. Due to the difference in value that exists between the value of a country's exports and imports, the exchange rate can have an impact on a country's trade balance. The exchange rate had an effect on transfer pricing. [21] The exchange rate has an effect on transfer

pricing. This shows that an The exchange rate does not influence transfer pricing decisions because the company assesses that the exchange rate does not provide potential profits.

IV. CONCLUSIONS

This research aims to provide empirical evidence testing the influence of taxes, tunnelling incentives and exchange rates on transfer pricing in Manufacturing companies in the Basic Industry and Chemical sectors listed on the Indonesia Stock Exchange (BEI) for the period 2018 to 2022. Simultaneous test results show that Tax, Tunnelling Incentive and Exchange Rate simultaneously and significantly influence Transfer Pricing in Manufacturing Companies in the Basic Industry and Chemical Sectors listed on the Indonesia Stock Exchange from 2018 to 2022. The result shows that tax as measured by the effective tax rate (ETR) has no significant effect on transfer pricing in manufacturing companies in the basic industry and chemical sectors. listed on the Indonesian Stock Exchange from 2018 to 2022. Tunnelling Incentive with the number of outstanding shares has a negative and significant effect on Transfer Pricing in Basic Industry and Chemical Manufacturing Companies listed on the Indonesia Stock Exchange from 2018 to 2022. Exchange Rate with profit and loss from foreign exchange differences has a significant effect on Transfer Pricing in Basic Industry and Chemical Manufacturing Companies listed on the Indonesian Stock Exchange from 2018 to 2022. the more likely it is that transfer pricing will occur and vice versa, if the tax and exchange rate are lower, the transfer pricing carried out will decrease. **Research Limitations** These are: 1) The research carried out only tested several variables to prove the factors that influence Transfer Pricing. 2) The research sample is limited to only 11 companies from 71 populations and only focuses on Basic and Chemical industry manufacturing companies. Future researchers are expected to be able to add other variables, so they can see other factors that can find significant results on transfer pricing, as well as use different proxies to calculate these variables in order to obtain more accurate results.

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