



## The Influence of Taxes, *Tunneling Incentives*, and Bonus Mechanisms on Decisions to Implement Transfer Pricing in Companies

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### ABSTRACT

The purpose of This research is for test the extent of the effect (influence) of taxes, incentives and bonus mechanisms on practice determination transfer price in the company manufacturers listed on the Indonesian Stock Exchange during 2019-2022 period . Secondary data used in this study with obtain this data from the official website [www.idx.co.id](http://www.idx.co.id), with population research consisting from company registered manufacturers during period the. Retrieval method sample used is purposive sampling. Data analysis was carried out through descriptive tests, assumption tests classical, and linear regression. Research result show that the Effective Tax Rate (ETR) does not impact significant to the determination transfer price, with mark significance of variable t test tax more big of 0.05 (0.109). The tunneling incentive is proven own influence significant to the determination transfer price, with mark significance of variable t test tunneling incentives are lacking from 0.05 (0.000). On the other hand, the bonus mechanism does not show influence significant to the determination transfer price, with mark significance of variable t test More bonus mechanisms big of 0.05 (0.102). Hence, hypothesis First No confirmed, temporary hypothesis second and third in this study got support from results analysis carried out

## INTRODUCTION

Development of the times from time to time give Lots influence or impact. One of among them influence The era of globalization that has arrived is significant now worldwide. Globalization in various countries, giving Lots impact positive results. One of impact positive that several countries have experienced that is impact on development business and economics by a company or organization related. Globalization economy naturally push stability and growth economy by a country in conditions proceed. Additionally, with exists globalization this economy, can make commodity goods and services become increase with variation certain. By more specifically, Globalization has bring up growth and development company multinational (Saraswati & Sujana, 2017). The development of the business world in the era of globalization , companies national start and even a number of Already become company multinational , up to a number of company the carry out economic activities outside the country (Marliana, Prihatini, & Muliastari, 2022). The owners business forming company multinational through child companies and branches company For develop business in several countries with do various scaled investments and transactions international (Jafri & Mustikasari, 2018). One of example the spread of the era of globalization in the field economy that is, it exists innovation from progress technology specifically in the field marketing that has been serve service *e-commerce* For makes it easier sell buy online, then transfer goods or services between individual and group and vice versa. So that feature on method *transfer pricing* has also been worldwide among companies multinational as service transaction between member or group from division the company.

The application of transfer pricing is a common practice in multinational companies where subsidiaries or branches of the same company carry out internal transactions, such as the transfer of goods, services, or intellectual property rights between different business units in different countries. Transfer pricing is important because it can affect the allocation of profits, taxes payable, and the company's overall financial performance. The background to the application of transfer pricing can come from various factors, including: first, complexity of company structure, multinational companies often have complex business structures with entities in various countries. In this context, transfer pricing is used to determine a fair price for internal transactions so that there is no distortion in the allocation of profits and taxes. Second, tax regulatory compliance, many countries have strict regulations regarding transfer pricing to prevent tax avoidance practices. Therefore, companies must ensure that the transfer pricing they apply is in accordance with applicable tax provisions. Third, risk management:, the application of transfer pricing can also help companies manage risks related to changes in market prices, currency fluctuations, and changes in tax regulations in the various countries where the company operates.

Multinational companies use transfer pricing for a variety of reasons, including: first, tax optimization, transfer pricing can be used to optimize a company's tax liability by adjusting transfer prices between business units so that reported profits in each tax jurisdiction are in line with applicable tax rates. By prudently managing transfer pricing, companies can legally reduce their tax

burden. Second, bonus mechanism is an incentive system used by companies to encourage employees or managers to achieve certain predetermined goals. Bonuses are usually given in addition to basic salary and can be in the form of cash, shares, or other non-financial incentives. The purpose of the bonus mechanism is to increase employee motivation, performance, and loyalty to the company. Third, tunneling incentive, refers to a practice where managers or majority shareholders use internal policies or transactions to transfer wealth from the company to related parties, such as minority shareholders or other related entities. The practice of tunneling incentive can be detrimental to the interests of the company and minority shareholders because it leads to an unfair or detrimental transfer of wealth. Thus, the use of transfer pricing by multinational companies is not only for tax purposes, but also for profit management, costing, regulatory compliance, and overall risk management.

*Transfer pricing* it's not new thing. The reason is, as long as dozens year, calculation *transfer pricing* For transaction between business entities that are members of the same corporation in the company multinational and located in different geographical areas is one of challenge the most important taxation and operational matters for company multinational (MNC). Challenge taxation originate from difficulty For prove that price between company adhere to the "arm's length" principle and of worries related that company multinational can divert profit highest taxes ( Grubert, 2003; Huizinga & Laeven , 2008; Beuselinck et al ., 2015; De Simone, 2016; Klassen et al ., 2017; Henry & Sansing, 2018; Wier, 2020). It is not surprising that the Organization for Economic Cooperation and Development (OECD) launched Base Erosion and Drift Action Plan Profits (BEPS) (2013) and has been emit guidelines For ensure that profit worn tax when economic activities generated (Steens, Roques, Gonnet, Beuselinck, & Pettsching, 2022). Transfer pricing has be one issue most important thing facing managers finance and accounting .

Transfer pricing has become something very interesting thing No only for management company , but also for authority tax national (Percevic & Hladika, 2017), so that with familiar this method among company multinational especially, then give influence to authority taxes, esp with country development is assessed tariff the tax Enough big, so avoided by companies (MNEs). Not only avoidance tax course, will but transfer pricing can plunder right income tax countries the For funding development economy, infrastructure, health, education and efforts alleviation poverty (Mpofu, Mashiri, & Schwartz, 2021). Regardless from negative impact of use of transfer pricing, on the other hand side ascetic this transfer price has a number of impact positive too, especially MNEs. Transfer pricing is useful in a variety of ways problem accounting and control management, incl measurement performance center accountability and management (Rossing, Cools, & Rohde, 2017). Apart from taxes , *the Tunneling Incentive* also has an impact on transfer pricing (Marfuah & Azizah

Noor, 2014), and decisions Transfer pricing is also influenced by the bonus (Nazhilah, Azwardi, & Fuadah, 2019) mechanism . The bonus can form rewards , rewards, and the like that are given through Annual General Meeting (RUT).

Some Research that examines related to what factors only that is influential to decision implementation of transfer pricing, namely research conducted by Marlina , Prihatini, & Muliarsi (2022) that tax own effect positive on transfer pricing, however ownership foreign and size company No affect transfer pricing. Planning taxes and *tunneling incentives* influential to transfer pricing behavior , however *intangible assets* No influential on transfer pricing (Jafri & Mustikasari, 2018). Research conducted by Marfuah & Azizah Noor (2014) mention that tax influential negative significant to company transfer pricing decisions . Temporary *exchange rate* influential positive but No significant on transfer pricing. Taxes, bonus mechanisms and size company own influence positive in a way significant on transfer pricing, temporary *tunneling incentives* negative effect on transfer pricing (Nazhilah, Azwardi, & Fuadah, 2019). Based on background behind such and with it varies results from some study previously , therefore researchers interested For test and study repeat results from various variables or influencing factors transfer pricing decisions.

## LITERATURE REVIEW

### Agency Theory

The *grand theory* used in this research is theory agency. Agency theory state that when manager want to maximizing benefits in relationships between holder shares and managers , them will Act based on interest holder share. For satisfying second split party , system good reward can applied For reduce conflict between holder shares and managers (Tran, Ly, Thao Ngo, Tran, & Nguyen, 2022). Agent theory explain connection agency in theory agency that something company is relationship contract between owner source Power economics (principal) and managers ( agents ) who take care of it use and control source Power the (Jensen & Meckling, 1976). Efforts to overcome or reduce problem agency this gives rise to cost agency will covered good by the principal nor agent (Nazhilah, Azwardi, & Fuadah, 2019). According to Jafri & Mustikasari (2018), this theory reveals exists contract between owner source Power ie holder shares and managers For use as well as control source Power the .

### Transfer Pricing

According to Article 1 Paragraph 6 of the Minister of Finance Regulation (PMK) of the Republic of Indonesia Number 22/PMK.03/2020 of 2020, " the transfer price is determination price in transactions triggered by indicators on exists connection special." Erly(2017) state that transfer pricing, which is also *familiar* with Mid ( neutral ) *transfer pricing* refers to the business strategy implemented without intention For reduce taxes are mandatory paid . Transfer

pricing on an ongoing basis general or neutral is also called as pejorative transfer pricing or negative. Study by Nazhilah, Azwardi, & Fuadah (2019) discuss transfer pricing calculations using proxy transaction related party (RPT) or receivables party related. Reason for using RPT is Because frequent transfer prices happen in transaction on sales by related parties for often do sale credit, which resulted formation receivables party related. Receivables party related, which is also known as RPT, calculated with share amount receivables party relate with total receivables company.

$$\mathbf{RPT} = \frac{\text{Piutang Pihak Berelasi}}{\text{Total Piutang}}$$

### **Tax**

Tax is obligation on due payment fulfilled by each individual or company to government based on provisions current regulation. Income tax is source main income government used For support financing from various programs and services public , incl development infrastructure, education, health, and security. Taxes can worn on various type income, wealth, transactions, and activities economy other . The purpose of tax is For collect funds required by the government For operate functions public and ensure fairness in distribution burden fiscal in society . The taxes in this research are based on research Nazhilah, Azwardi, & Fuadah (2019) with use proxy *Effective Tax Rate*. ETR obtained with share componente burden tax with profit before tax. Results of research conducted by Saraswati & Sujana (2017) mention that taxes and tunneling incentives have an influence positive on indication carry out transfer pricing. Study (Marliana, Prihatini, & Muliarsari (2022)also mentioned that tax own effect positive on transfer pricing. Temporary study Arifin, Saputra, & Purbasari (2020), mentioned that tax (tax) no influence on transfer pricing. So that writer serve answer temporary from this research is later called with hypothesis research , Where hypothesis First is as following :

**H1** : Taxes have influence on transfer pricing

### **Tunneling Incentives**

Tunneling incentive refers to the practice in which holders share majority or controlling party company use power they For transfer riches company to entity related or self they Alone in a way No fair. Incentive tunneling practices often involve transfer assets, funds, or opportunities business from controlled company to an entity related or individual who owns interest personal. This can harm holder share minority and detrimental the company itself. This practice often violates principle fairness , transparency , and interests all over holder share company . This research uses calculation on *tunneling incentives* based on study Nazihah, Azwardi, & Fuadah(2019) where is the amount outstanding shares shared with total shares the highest that a person has

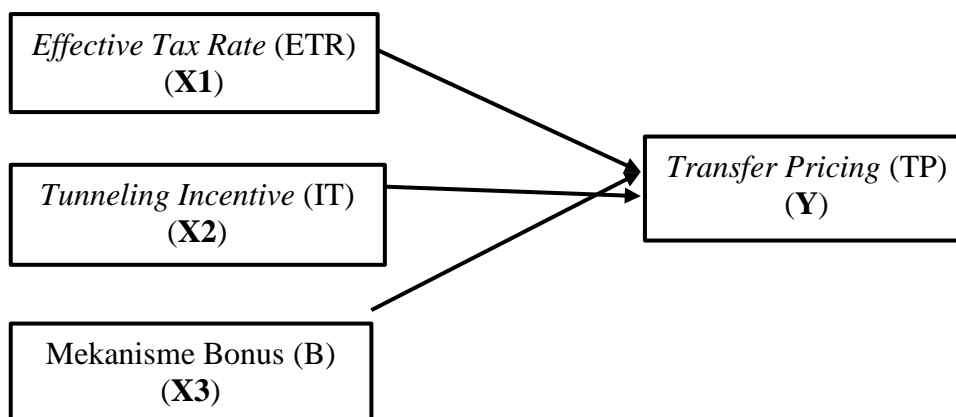
company. Taxes, bonus mechanisms and size company increase transfer pricing. However, transfer pricing does not influence by tunneling (Nazhilah, Azwardi, & Fuadah, 2019)incentives. Temporary study Marfuah & Azizah Noor (2014)and Saraswati & Sujana (2017), they mention that *tunneling incentives* influential on transfer pricing. So in this research, the author set second hypothesis as following:

**H2** : *Tunneling Incentive* own influence on transfer pricing

### **Bonus Mechanism**

Bonus mechanism refers to the system incentives used by the company For give addition rewards to employee as award on achieving targets or good performance. Bonuses can be earned awarded in the form of cash, shares, vacations , or incentives other. Bonus mechanism designed For push employees to work more loud, reaching objective company, and improve motivation as well as performance they. You can also get bonuses become tool For maintain performing employees high and improve loyalty they to company. This research uses calculation based bonus mechanism study Nazihah, Azwardi, & Fuadah(2019) which use calculation with approach Net Profit Trend Index. For calculate ITRENDLB, profit net in year t per amount profit clean during the period previously. Research conducted by Saraswati & Sujana (2017), find that bonus mechanism no influence the possibility of transfer pricing . So that writer set hypothesis The third in this research is as following :

**H3** : Bonus mechanism is not own influence on transfer pricing



Picture 1. Conceptual Framework

## **METHODOLOGY**

This research uses approach quantitative with utilize secondary data. Approach quantitative is a research technique involving science measurement variable in form numeric (numbers) and data analysis using technique statistics, which is later supported by existing theory There is with test hypothesis contained in the research (Alfijri & Priyadi, 2022). The population that becomes

focus this research is company manufacturers listed on the Indonesian Stock Exchange (BEI) during range time 2019-2022 .

### **Sampling Technique**

Samples taken from the official website of the Indonesian Stock Exchange is company manufacture. Retrieval method The sample used in this research was purposive sampling, where one the technique done in a way random with set criteria special to sample. Criteria used For choose sample is as following: (1) Manufacturing companies listed on IDX BEI in the 2019 to 2022 period, (2) Companies that are not own ownership more of 20% by the company foreign, (3) Companies that are not release report finance annual For 2019-2022 period, and (4) Companies that do not own relevant information For this research (Arifin, Saputra, & Purbasari, 2020). Based on criteria that have been set, taken sample as many as 10 companies manufacturing that meets requirements in this research .

### **Data Collection Technique**

Data collection method applied in this research involves collection various relevant documents with variable study . Data utilized is secondary data form report published annually during 2019-2022 period and available on the Indonesia Stock Exchange (BEI) website at <https://www.idx.co.id>. Approach The data collection used in this research is method documentation, which involves recording, collecting, and reviewing activities information from company manufacturing that meets criteria that have been set (Alfijri & Priyadi, 2022).

### **Variables and Definitions Operational**

Variable dependent, also known as variable bound, is variables that are affected or become results from other variables are called variable free. In context this research, variables dependent is the estimated Transfer Pricing (TP). with use ratio Receivables Party Relate shared with Total Receivables .

On the other hand, variables independent, which is also known as variable free, constitute variables that have influence to variable bound and have an impact on the variable dependent. In this study, variables independent includes Tax or Effective Tax Rate (ETR), Tunneling Incentive (TI), and Bonus Scheme (Bonus), which are estimated as following :

$$\text{Effective Tax Rate (ETR)} = \frac{\text{Beban Pajak}}{\text{Laba sebelum Pajak}}$$

$$\text{Tunneling Incentive (TI)} = \frac{\text{Jumlah Saham Kepemilikan Asing 20\%}}{\text{Total Saham yang Beredar}}$$

$$\text{Mekanisme Bonus (Bonus)} = \frac{\text{Laba Bersih Tahun } t}{\text{Laba sebelum Tahun } t - 1} \times 100\%$$

$$\text{RPT} = \frac{\text{Piutang Pihak Berelasi}}{\text{Total Piutang}}$$

### **Data Analysis Technique**

Statistic test Descriptive used For analyze data with method describe or explain the data that has been collected , so possible For make applicable conclusions in a way general based on the state of the data ( Sugiyono , 2012).

Test Assumptions Classic carried out in this research , namely with multiple linear regression. Before use multiple linear regression, important For carry out assumption tests classic To use ensure consistency, validity, absence of bias, and efficiency in estimation coefficient regression (Ghozali, 2016). Testing assumption classic includes normality test, multicollinearity test, heteroscedasticity test , and autocorrelation test .

Analysis multiple linear regression is method statistics used For describe connection between two or more variable through A equality . Some common tests carried out in the analysis multiple linear regression includes coefficient tests determination, F statistical test, and t statistical test.

## **RESULTS**

### **Descriptive Statistical Test**

Statistic test descriptive is method analysis statistics used For give a concise overview or description about the observed data. The purpose of statistical tests descriptive is For summarize and present data in a comprehensive manner systematic to make it easy understood. Example statistics descriptive covers measurement centering of data such as mean, median, and mode, as well as measurement dissemination of data such as range, deviation standards, and quartiles. Statistic test descriptive helps in identification patterns, trends, and characteristics main from data without do inference statistics more carry on. The table presented below presents results statistics descriptive data analysis with use device SPSS 22 software above related variables.

Table 1. Descriptive Statistics



**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
ETR	40	2621.00	81462.00	26993.7000	12533.23162
IT	40	25773.00	92125.00	51431.4000	19488.13238
BONUS	40	5999.00	565808.00	132830.7500	113683.85251
T.F	40	.00	49138.00	13654.5000	14352.81106
Valid N (listwise)	40				

Source : Data Processed Via SPSS 22, 2024

Information :

ETR: *Effective Tax Rate (Tax*

TI: *Tunneling Incentive*

BONUS: *Bonus Mechanism*

TF: *Transfer Pricing*

**Test Assumptions Classic**

Assumption test suite The classic in this research is the assumption test traditional ones will outlined below this.

**Normality Test**

Normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test is an assumption test traditional in this research . Normality test used For evaluate is variable dependent and independent in the regression model own normal distribution . The normality test in this study was carried out using the Kolmogorov-Smirnov (KS) test with criteria as following :

- a. If mark significance from the Kolmogorov-Smirnov (KS) test more big of alpha (0.05), then assumed that the data has normal distribution .
- b. If mark significance from the Kolmogorov-Smirnov (KS) test more small < alpha (0.05), then assumed that the data does not own normal distribution .

Table 2. One Sample Kolmogorov Smirnov  
**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residuals
N		40
Normal Parameters <sup>a</sup>	Mean	.0000000
	Std. Deviation	11204.53220
Most Extreme Differences	Absolute	.102
	Positive	.102
	Negative	-.079
Statistical Tests		.102
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>

a. Test distribution is Normal.

- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.

Source : Data Processed Via SPSS 22, 2024

From table that, you can concluded that mark The significance of the Kolmogorov-Smirnov test is 0.200. Due mark significance by 0.200 which is more big of 0.05, conclusion can taken that the data used in this research can considered own normal distribution .

**Multicollinearity Test**

Multicollinearity test used as material for evaluating is There is relationship (correlation) between independent variable in the regression model. Assessment of multicollinearity tests done Based on Variance Inflation Factor (VIF) and value tolerance . If VIF has low value ( $< 10$ ) or value tolerance high ( $> 0.1$ ), can concluded that No There is problem multicollinearity between variable independent in research (Ghozali , 2013:103). The following is results data processing for multicollinearity testing via SPSS:

Table 3. Coefficients  
**Coefficients<sup>a</sup>**

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
ETR	,934	1,071
IT	,907	1,103
BONUS	,863	1,159

a. Dependent Variable: TF

Source : Data processed via SPSS 22, 2024

From Table 3 presented, it can be seen that multicollinearity test results show that VIF has marks below 10 and marks tolerance above 0.01. Therefore, it can concluded that this study did not experience problem multicollinearity .

**Autocorrelation Test**

Autocorrelation test used For determine is there is connection between mistake bully in period t with error bully in period previous (t-1) in the regression model . The autocorrelation test in this study used the Durbin-Watson test. If value significance more big of 0.05, then can assumed that the data is retrieved in a way random and not experience autocorrelation . Results of autocorrelation test data analysis use device SPSS software shows :

Table 4. Model Summary

**Model Summary<sup>b</sup>**

Model	Durbin-Watson
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1	,713
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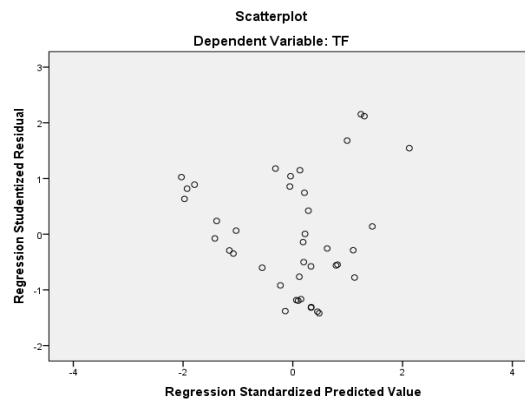
- a. Predictors: (Constant), BONUS, ETR, TI
- b. Dependent Variable: TF

Source : Data processed via SPSS 22, 2024

From the table presented, you can see that mark significance of autocorrelation test is 0.713. Because of value significance  $0.713 > 0.05$ , then can concluded that this study did not experience problem autocorrelation .

### Heteroscedasticity Test

Heteroscedasticity test used For determine is happen inequality variant of intermediate residuals One observation to other observations in a regression model. In this study, the Scatterplot test was used For identify heteroscedasticity. According to Ghozali (2006:125), a good regression model is homoscedasticity, meaning No happen heteroscedasticity, which means variant of the fixed residual from One observation to observation other .



Picture 2. Regression Standardlized PV

Source : Data processed via SPSS 22, 2024

From the table presented , no seen clear pattern as well as the dots are scattered above and below the number 0 on the Y axis . Therefore , it can be concluded that this regression model does not experience heteroscedasticity .

### Hypothesis Testing

#### Multiple Linear Analysis Test

Test analysis regression is the test used allotment For test extent of influence independent variables, namely (tax, IT, and bonus) towards dependent variable (transfer pricing). The following is results data processing for multiple linear analysis tests via SPSS:

Table 5. Coefficients

Coefficients <sup>a</sup>		
Model	Unstandardized Coefficients	
	B	Std. Error

1 (Constant)	47850.029	7600,500
ETR	-.253	,154
IT	-.455	.101
BONUS	-.030	.018

a. Dependent Variable: TF

Source : Processed data , 2024

Based on the table above , then can is known that equality regression in this study as as follows :  $TF = 0.478 - 0.253Tax - 0.455TI - 0.30Bonus + 0.760$   
 From the results equality regression above , can explained as following : Constant value showing 0.478 in the lead that the independent variables ( taxes, tunneling incentives, and bonus mechanisms ) have mark fixed or constant, with transfer price (TP) of 0.478.

- a) For variable tax , coefficient regression is -0.253. It means that if the variable tax increase equal to 1, while variable independent other fixed , then transfer price (TP) will be experience decline as big as 0.253.
- b) For tunneling incentive variable, coefficient regression of -0.455. This indicates that if the tunneling incentive variable increases by 1 unit, with assumption variable independent other constant, then transfer pricing will down of 0.455.
- c) For variable bonus mechanisms , coefficients regression is -0.30. It means that if the bonus mechanism increases of 1 unit, with variable independent other fixed , then transfer price (TP) will be experience decline of 0.30.

**Coefficient Test Determination**

Coefficient test determination (R2) is used For evaluate how much either models or variables independent explain variation variable dependent . The R2 value provides information about extent of variability variable dependent can explained by variables independent in the regression model .

Table 6. Three Box Method

**Model Summary <sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.625 <sup>a</sup>	,391	,340	11662.04686

a. Predictors: (Constant), BONUS, ETR, TI

b. Dependent Variable: TF

Source : Processed data , 2024

From the table presented , you can concluded that : The R2 value in this study reached 39.1%, meanwhile the adjusted R2 value is 34.0%. This indicates that 34.0% of variation variable transfer price can be explained by variables taxes, tunneling incentives, and bonus mechanisms. Temporary the remainder, namely 66.0%, is influenced by other factors that are not included in the research model.

**Simultaneous Test (F)**

This test is used For evaluate influence variable independent and dependent in a way simultaneously. If value F test significance is lacking of 0.05, then variable independent considered own influence in a way simultaneous.

Table 7. Three Box Method

ANOVA <sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3138004100.437	3	1046001366.812	7,691	,000 <sup>b</sup>
Residual	4896120131.563	36	136003336.988		
Total	8034124232,000	39			

a. Dependent Variable: TF

b. Predictors: (Constant), BONUS, ETR, TI

Source : Processed data , 2024

The results of the F test in this study show mark significance of 0.000, which means variable independent, that is taxes, tunneling incentives, and bonus mechanisms , have an effect in a way significant to variable dependent , namely transfer pricing.

**Partial Test (T)**

Statistical test or t-test is used and presented in this study for evaluate the influence of each independent variable on the dependent variable individually . In this study , the t test is presented with make comparison mark t test probability against level on significance 5% or 0.05.

Table 8. Three Box Method

Coefficients <sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	47850.029	7600,500		6,296	,000
ETR	-.253	,154	-.221	-1,642	.109
IT	-.455	.101	-.618	-4,524	,000
BONUS	-.030	.018	-.235	-1,679	.102

a. Dependent Variable: TF

Source : Processed data , 2024

From the table above presented, you can seen mark significance For every variable independent . The results of the t test in this study show:

a. For variable tax (ETR), value significance is 0.109, which is more big from 0.05. With coefficient regression -0.253 and t value -1.642 , this shows that variable tax No influential significant on transfer pricing. With Thus , hypothesis first in this study no supported .

b. For tunneling incentive (TI) variable, value significance is 0.000, more small from 0.05. With coefficient regression -0.455 and t value -4.524, the tunneling incentive variable has influence significant positive on transfer pricing. Hence, hypothesis both in this study are supported.

c. For variable bonus mechanism, value significance is 0.102, which is more big from 0.05. With coefficient regression -0.30 and t value -1.679, variable bonus mechanism no influential significant on transfer pricing. So, hypothesis third in this research can supported.

## DISCUSSION

Test result on hypothesis First serve that variable Effective Tax rate (ETR) Tax is not There is its influence to transfer pricing variables. These results are proven on testing hypothesis with mark significance  $0.109 > 0.05$ . This finding is also in the same direction with study Arifin, Saputra, & Purbasari (2020) who presents No influential in a way significant between tax (ETR) with indication carry out TP (transfer pricing). (Arifin, Saputra, & Purbasari, 2020) disclose that this is because company manufacturing in Indonesia, usually more tend avoid transfer price (TP) and transactions with entity affiliate with reason that exists agreement with Directorate Tax General against the owning party connection on interest specific (Special) for reduce embezzlement tax by the Company. This matter because that burden high taxes, business No motivated for do price transfer For reduce cost in company. Naturally this result, no supported by research from Saraswati & Sujana (2017) and Marliana, Prihatini, & Muliastari (2022) who mentioned exists connection between taxes and transfer pricing. This is caused by motivation taxes, which is one from reason company manufacture on implementation of transfer pricing in planning the tax when they transaction with entity existing affiliates outside the country. Entity do This For reduce amount taxes paid.

Test result hypothesis second show that *the Tunneling Incentive* (TI) variable has an effect on transfer pricing variables. This result is possible seen from testing hypothesis with mark significance  $0.000 < 0.05$ . These findings are consistent with study Marfuah & Azizah Noor (2014) and Saraswati & Sujana (2017) found it that tunneling incentives have influence in indications carry out transfer pricing. Second say that incentive can given through transaction to company with more price profitable low holder share controller. Incentives received by holders share controller on transfer of assets, profits, and more to the company they are have impact on the transfer price process. Naturally this result, no supported by research from (Nazhilah, Azwardi, & Fuadah, 2019), He mention that Taking decision about transfer pricing no influenced by ownership share majority company. Apart from that, there is a number of limitations that become reason; one of them is that election indicator only depending on quantity available information in report annually presented.

Analysis results hypothesis third show that the Bonus Mechanism variable is not influence on the transfer pricing variable. Findings This supported by values significance of 0.102 which exceeds the significance limit of 0.05. This conclusion in line with research conducted by Saraswati & (2017)Sujana stated that bonus mechanism no influence transfer pricing practices. The study also noted that bonus mechanism can influence decision company manufacture in set transfer price due exists no consistency in enhancement profit from year to year. In addition, company manufacture Possible own system effective stakeholder supervision.

### **CONCLUSIONS AND RECOMMENDATIONS**

Effective Tax Rate (ETR) Tax is not own significant impact on transfer pricing. First hypothesis No verified Because variable t test results tax show mark significance more big of 0.05, ie of 0.109. On the contrary , Tunneling Incentive is proven influential in a way significant on transfer pricing. Second hypothesis supported Because the results of the t test for the tunneling incentive variable show mark significance not enough of 0.05, which is 0.000. Meanwhile , the bonus mechanism does not show significant influence on transfer pricing, and hypotheses third supported Because t test results of the corporate state-ownership variable have mark significance more big of 0.05, namely 0.102.

A number of recommendation For study furthermore including add variable independent possible additions affect transfer pricing for get results more research diverse . Additionally, extend period observation object study become more from 5 years can also be done increase accuracy and validity results study.

### **FURTHER STUDY**

The limitations of this study are that it takes a few variables and the years that are the object of research are only a few years. So, suggestions for subsequent researchers are to determine several variables from this study and longer research years so that the research is more relevant and valid. Another suggestion is that subsequent researchers can conduct research using qualitative methods by taking one group of companies so that information is more effective and efficient.

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