



The Influence of Taxes , Intangible Assets, Exchange Rates on Transfer Pricing in Multinational Manufacturing Companies Registered on the IDX 2019-2022

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ABSTRACT

The aim of this research is to determine the effect of taxes, intangible assets, Exchange Rate on transfer pricing in multinational manufacturing companies listed on the IDX from 2019-2022.

This research is a type of quantitative research, namely using secondary data in the form of financial reports owned by the company. Where the sample was determined using a purposive sampling technique so that a sample of 40 samples was obtained. Data was obtained with the help of the SPSS program.

The results of this research show that taxes and exchange rates have a negative effect on transfer pricing, while intangible asset variables have a positive effect on transfer pricing.

INTRODUCTION

The current developments in all aspects such as technology, communication and information have a very rapid influence on all fields. One of the areas affected is the economic and business sector. So this rapid development makes it easier for companies to expand and develop their business. Because of this, many companies are aggressively expanding their business, namely by building company branches abroad, so that their companies are not only found in the country but also in several other countries.

Companies operating in multiple countries conduct different types of international transactions in different countries and are subject to different regulations, including tax rates, that apply in each country. Because of these different tax rates, multinational companies use *transfer pricing* as one of their company strategies to obtain greater profits.

Transfer Pricing is a way of determining the transfer price of a transaction, be it the sale or purchase of goods, or other financial matters to a company with a special relationship or its subsidiaries. *Transfer pricing* is one of the efforts made by companies to save taxes, but in its implementation or determination it is often misused by companies to avoid taxes.

In Indonesia itself, there have been several cases of *transfer pricing* that have occurred which were carried out by several large companies, such as those carried out by PT. CocaCola, PT. Andora Energi Tbk as well as the transfer pricing case that was carried out by PT Toyota Motor. This company is indicated to carry out transfer pricing practices. There are many methods that companies can use to carry out *transfer pricing practices*, such as reducing tax payments by manipulating sales values and inflating costs, where these practices can cause losses to the state.

Eliminating *transfer pricing* is not a simple matter. Without public access to details of company transactions, companies have the freedom to change their financial reports, even Public Companies (Tbk) can also apply *transfer pricing* (Suryana, 2012). The issue of attribution of company income and expenses needs to be regulated precisely and clearly by each country involved in international transactions.

Good and clear regulations are expected to prevent and detect tax manipulation through *transfer pricing* which is often carried out by companies (Nurhayati, 2013). So from all the statements above, the author

can conclude that transfer pricing carried out in Indonesia will have a big impact on state income, namely income from the tax sector.

Due to the complexity of this *transfer pricing case*, the author is interested in re-analyzing the factors that influence transfer pricing transactions in Indonesian multinational manufacturing companies.

1. Theoretical Background Agency Theory

This theory was first introduced and developed by Jensen and Meckling (1976). Agency theory is defined as a relationship that occurs because of a contract between the agent (management) and the principal (company owner or shareholder). In this theory, it is stated that there could be information exchange that occurs between the principal and the agent who represents the management of the company (Nainggolan and Sari, 2019). This problem occurs because the decisions made by agents are not always in favor of the company's interests, which then triggers agency conflict (Jansen and Mackling, 1976).

The resulting conflict of interest provides encouragement for management to maximize profit management from both an accounting and fiscal perspective by taking advantage of regulatory flaws and tax rates. The tax gap and the implementation of the self-assessment system are opportunities for agents to minimize the company's tax burden by reducing the amount of tax income

Transfer Pricing

Transfer pricing is one of the company's actions to determine the price of goods, services, intangible assets and other financial transactions (Ministry of Finance, 2014). According to Hansen and Mowen (2015), transfer pricing is the price determined by the sales definition of the purchasing definition within the company. Where (Falbo and Firmansyah, 2018) stated that transfer pricing is a strategy to divert income wherever possible to companies or divisions with special relationships in countries that have the lowest tax rates. The difference in tax rates can be used to avoid larger taxes.

Tax

In Law No. 28 of 2007 which contains general provisions and procedures for taxation, it is explained that "tax is a mandatory contribution or contribution to the state that is owed by an individual or entity which has a coercive nature based on the law without receiving direct compensation and will be used for necessary purposes. country and as much as possible for the prosperity of the people." Because we know that the largest income from the state is income from the taxation sector. Meanwhile, taxes have several functions, namely:

1. Set function
2. Budget function
3. As an income levy
4. Stability function

Income tax itself is regulated in Law No. 36 of 2008 which discusses income tax. For domestic taxpayers and permanent establishments or business entities, the amount of tax income is calculated based on gross income or gross income and then deducting the costs used to obtain that income. This income is used as a basis for calculating tax rates, often the tax rates for each country are different, this difference can be a loophole for multinational companies in using transfer pricing.

In this research the tax rate is calculated based on several previous studies such as Nazihah, Fuadah in 2019, this tax calculation was carried out using *the effective tax rate*. ETR is formulated by dividing the tax burden by prior profit.

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

Intangible Assets (intangible assets)

According to PSAK No. 19 article 17 of 2015 *Intangible Assets* are sets that do not have a physical form, which often have a long useful life, and are used in business activities, and are not used for resale. According to research conducted by Kurnia in 2023, intangible assets tend to be more difficult to measure compared to tangible assets. This is often used by multinational scale companies to transfer or move these intangible assets to the branch companies they own.

In this research, intangible assets refer to research conducted by several previous researchers, namely Jafri and Mustikasari in 2018, by dividing intangible assets by total sales .

$$\text{Intangible Asset} = \frac{\text{Aset tak berwujud}}{\text{Total penjualan}}$$

Exchange Rates

$$\text{Exchange Rate} = \frac{\text{Laba / rugi selisih kurs}}{\text{Laba / rugi sebelum pajak}}$$

Exchange Rate is the exchange rate of currency for current or future payments between two different currencies. Where in this research the exchange rate is measured by means of the profit or loss difference from the exchange rate divided by the profit and loss before tax, with the formula:

METHODOLOGY

This research is quantitative research with samples taken using side purposive. Namely by using certain criteria. Then the data used in this research was taken from the annual report, namely the financial report of a multinational manufacturing company which is available on the official website of the Indonesian Stock Exchange with the web address namely www.idd.co.id. There are several criteria used in determining the sample in this research, namely:

1. Multinational manufacturing companies listed on the IDX in 2019- 2022
2. Companies controlled by foreign companies with ownership of 20% or more
3. Companies that publish their complete financial reports from

- 2019- 2022
4. Companies that do not experience losses from 2019-2022 because companies that experience losses do not have the obligation to pay taxes

Table 1

No	Criteria	Amount
1.	Multinational manufacturing companies listed on the IDX in 2019-2022	97
2.	Companies controlled by foreign companies with ownership of 20% or more	(28)
3.	Companies that publish their complete financial reports from 209-2022	(6)
4.	Manufacturing companies experiencing losses in 2019-2022	(32)
5.	Companies that do not have information or data on the variables studied.	(21)
Who meets the criteria		10
Research sample in a 4 year period		10X4=40

Source: Data processed by researchers in 2024

RESULTS AND DISCUSSION

a. Descriptive Statistical Test

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ETR	40	,0262	,8146	,269937	,1253323
HE	40	,0000	,0345	,008679	,0106733
E.R	40	-174.2380	,2117	-10.049828	36.6440372
T.F	40	,0000	,4914	,136545	,1435281
Valid (listwise)	N 40				

Suber: Data processed in 2024

Tax variable (X 1). Where the descriptive test results show that the tax variable has a minimum value of 0.0262, with a maximum value of 0.8146, and an average value of 0.269937 with a standard deviation value of 0.1253323.

For the *intangible asset* variable or 106733.

Meanwhile, the exchange rate variable (X 3) has a minimum value of - 174.2380 and a maximum value of 0.2117 with an average value of -10.049828 and a standard deviation value of 36.6440372.

Then for variable Y, namely *transfer pricing*, it has a minimum value of 0.0000, while the maximum value is 0.4914, then for The average value is 0.136545, the standard deviation value or level of spread is 0.1435281.

b. Test Simultaneous (Test F Statistics)

ANOVA ^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	,324	3	,108	8,09	,000
Residual	,480	36	,013	0	b
Total	,803	39			

a. Dependent Variable: TF

b. Predictors: (Constant), ER, IA, ETR

In accordance with the table above in the F test, it is known that the significant value is 0.000. This shows that the sig value is <0.05, which means that simultaneously or simultaneously the tax variables, *intangible assets and exchange rate* variables have an effect on variable Y, namely *transfer pricing* .

c. Coefficient of Determination Test (R2)

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,635 a	,403	,353	,1154575

a. Predictors: (Constant), ER, IA, ETR

b. Dependent Variable: TF

In accordance with the table in the R^2 test, it can be seen that the R^2 value in this study is 40.3% with an adjusted R^2 value of 35.3%, which shows that variable Y, namely transfer pricing, can be explained by 35.3% by the variable X_1 is tax and variable X_2 is *intangible assets* and variable X_3 *exchange rate*. Meanwhile, the remaining 64.7% is explained by variables that are not in this study.

d. Test Regression Linear Multiple

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,138	,055		2,511	,017
	ETR	-,305	,196	-,267	-1,561	,127
	HE	8,184	1,778	,609	4,604	,000
	E.R	-,001	,001	-,253	-1,464	,152

a. Dependent Variable: TF

Source: SPSS Processed Data

From the table above the multiple linear regression equation from this research can be written:

$$Y = a + b_1 ETR + b_2 IA + b_3 ER + e$$

Where:

$Y =$ Transfer Pricing

$a =$ Constant

$b_1, b_2 =$ Regression

coefficient $X_1 =$ Tax

$X_2 =$ intangible assets

$X_3 =$ Exchange rate

$E =$ Error

The constant value is in accordance with the table above, namely 0.138, which shows that the tax and *intangible asset variables* will have a constant or fixed value, so variable Y , namely *transfer pricing*, is 0.138.

The coefficient value for the tax variable is -0.305, which indicates that if the tax variable experiences an increase of one, while the other independent variables are considered constant, then the *transfer pricing variable* will decrease by -0.305.

The coefficient value for the *intangible asset variable* is equal to 8,184. This shows that if the variable *is intangible assets* experience increase as big as 1 unit, while the other independent variables are considered constant, the *transfer pricing variable* will decrease by 8.184.

For the coefficient value on *the exchange rate variable* that is, as big as -0.001. This shows that if the variable *is intangible assets* experience increase as big as 1 unit, while the other independent variables are considered constant, the *transfer pricing variable* will experience a decrease of -0.001 .

e. Test Statistics t
Coefficients a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,138	,055		2,511	,017

ETR	-,305	,196	-,267	-1,561	,127
HE	8,184	1,778	,609	4,604	,000
E.R	-,001	,001	-,253	-1,464	,152

a. Dependent Variable: TF

Source: SPSS Processed Data

In the table above, it can be seen that the tax variable has a significant value of 0.127, this shows that the sig value is >0.05 with a regression coefficient value of -0.305 which can be interpreted as meaning that the tax variable has a negative effect on the *transfer pricing variable*. So it can be concluded that H1 is rejected or not supported in this research

Meanwhile, for the *intangible asset variable*, it is known that the sig value is 0.000 or sig value <0.05 with a regression coefficient value of 8.189, this shows that the *intangible asset variable* has a positive influence on variable Y, so it can be concluded that H2 in this research is accepted.

exchange rate variable has a sig value of 0.152, this shows that the sig value is >0.05 with a regression coefficient value of -0.001 so it can be concluded that the *exchange rate variable* has no positive effect on *transfer pricing* so that H3 is rejected.

CONCLUSION

This research is research that is used to determine the factors that can influence *transfer pricing* in a company, especially multinational manufacturing companies listed on the IDX in 2019-2022, where the factors studied are taxes, *intangible assets*, *exchange rates*. After conducting research, researchers can draw conclusions from this research, namely that the tax and *exchange rate variables have no influence on transfer pricing*, while the *intangible asset variable* has a positive influence on *transfer pricing*.

SUGGESTIONS

This research still has many limitations, such as the variables used are still very limited, there are still other factors that are appropriate to the research topic that the researcher has not included, so it is hoped that future research can add variables that are not in this research, such

as the size variable. company, earnings management and others. Then the sample in this research is also very limited because only multinational sector companies only, so it is hoped that further research can be carried out in other sectors so that research on transfer pricing can be more relevant.

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