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THE IMPACT OF TUNNELING INCENTIVE, BONUS MECHANISM, TAX MINIMIZATION, AND MULTINATIONALITY TO TRANSFER PRICING

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ABSTRAK

Tujuan dari penelitian ini adalah untuk mengetahui pengaruh *tunneling incentive*, mekanisme bonus, *tax minimization, multinationality*, *leverage* dan *intangible asset* terhadap keputusan *transfer pricing* pada perusahaan *consumer cyclicals dan non-cyclicals* yang terdaftar di Bursa Efek Indonesia. Penelitian ini dilakukan karena masih terdapat ketidakkonsistenan pada hasil penelitian sebelumnya dan dilakukan pada periode setelah terjadinya COVID-19 yang menyebabkan adanya beberapa perubahan aturan tarif perpajakan di Indonesia. Populasi dalam penelitian ini adalah seluruh perusahaan dalam sektor *consumer cyclicals dan non-cyclicals* yang terdaftar di Bursa Efek Indonesia dari tahun 2020 hingga 2022. Sampel penelitian diperoleh menggunakan metode *purposive sampling*, yang terdiri atas 59 perusahaan yang memenuhi kriteria *sampling*, dengan jumlah data 236. Pengujian statistik dalam penelitian ini menggunakan metode regresi berganda. Hasil penelitian menunjukkan bahwa *multinationality* memiliki pengaruh positif terhadap *transfer pricing*. Namun demikian *tunneling incentive*, mekanisme bonus, *tax minimization*, *leverage*, dan *intangible asset* tidak berpengaruh terhadap *transfer pricing*.

Kata Kunci: *Transfer pricing, tunneling incentive, mekanisme bonus, tax minimization, multinationality*.

ABSTRACT

This study aims to assess the impact of tunneling incentives, bonus mechanisms, tax minimization, multinationality, leverage, and intangible assets on the decision-making process of transfer pricing in consumer cyclical and non-cyclical companies listed on the Indonesian Stock Exchange. This research was conducted to address the contradictions found in prior research results. It was conducted during the post-COVID-19 period, which witnessed various modifications in the tax rate rules in Indonesia. The population for this study comprises all companies in the consumer cyclical and non-cyclical sectors listed on the Indonesia Stock Exchange from 2020 to 2022. The research sample was acquired using purposive sampling, involving 59 companies that satisfy the sampling requirements, resulting in 236 data points. The study employed the multiple regression approach for statistical testing. The research findings indicate that multinationality has a favorable impact on transfer pricing. However, the concepts of tunneling incentive, bonus mechanism, tax minimization, leverage, and intangible assets do not influence transfer pricing.

Keywords: *Transfer pricing, tunneling incentives, bonus mechanisms, tax minimization, multinationality.*

1. INTRODUCTION

This study examines the impact of tunneling incentives, bonus mechanisms, tax minimization, multinationality, leverage, and intangible assets on the decision to engage in transfer pricing at consumer cyclical and non-cyclical companies listed on the Indonesian Stock Exchange. This research was conducted to address the inconsistencies found in prior studies (Anh, Hieu, & Nga, 2018; Dinca & Fitriana, 2019; Ernawati & Rahman, 2022; Irawan & Ulinnuha, 2022; Devi & Suryarini, 2020; Ginting, Sitorus, Lorenza, & Mas, 2021; Nurjannah, Yunus, Renaldi, Munawir, & Asaff, 2022). Additionally, it focused on examining the impact of the changes in tax rate rules in Indonesia during the post-COVID-19 period.

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Due to the impact of COVID-19 on Indonesia since the start of 2020, which has led to a worldwide economic downturn, the government has implemented a measure to decrease the overall corporate income tax rate to 22% for the years 2020 and 2021. Starting January 1, 2022, the government implemented a policy to decrease the corporate income tax rate to 20% (Handayani & Rachmawati, 2022). The impact of the corporate tax rate shifts in Indonesia on transfer pricing needs to be thoroughly investigated to determine the extent to which it would affect the influencing elements.

The corporation is consistently urged to innovate and formulate strategies to compete domestically and globally. Companies often employ transfer pricing as a strategy to optimize their spending. Transfer pricing refers to transferring financial resources between divisions or companies within a corporate group through buying and selling goods or services. It serves as a means to assess the performance of divisions or subsidiaries and incentivize them to make decisions that align with the overall goals of the company group (Khris & Whiteside, 2020).

Transfer pricing is a legitimate approach that allows multinational firms to alter the amount of tax they pay; however, it is not intended for tax evasion purposes (Primadhyta, 2017). Transfer pricing, a key concern for taxpayers and tax authorities, can be exacerbated by multinational corporations. Transfer pricing refers to companies strategically shifting profits from high-tax to low-tax countries (Darussalam, Septriadi, & Kristiaji, 2013). This can reduce tax revenues for the higher-tax countries, as companies can avoid their tax obligations by taking advantage of lower tax rates in other countries. The practice of transfer pricing is said to have resulted in losses amounting to trillions of Rupiah (Kusuma, 2015).

Transfer pricing is a practice that allows companies to shift their tax obligations from high-tax countries to low-tax countries within the same group. That can result in a reduction of state tax revenues for the government. It is believed that this practice of transfer pricing has caused significant financial losses, amounting to trillions of Rupiah (Kusuma, 2015). According to research results from the United Nations Conference on Trade and Development (UNCTAD), developing countries lose more than $100 billion yearly due to transfer pricing. According to annual data from Global Financial Integrity, Indonesia can potentially lose tax revenues of up to IDR 100 trillion yearly due to transfer pricing (Devi & Suryarini, 2020).

In Indonesia, transfer pricing regulations are governed by the Income Tax Law (UU PPh) no. 36 of 2008 and PMK Number 213/PMK.03/2016. The Income Tax Law No. 36 of 2008 specifies the specific documents and additional information that taxpayers must maintain when conducting transactions with related parties and the procedures for managing them. The OECD introduced the Base Erosion and Profit Shifting (BEPS) initiative to address the potential misuse of transfer pricing and promote greater transparency in international taxation (Primadhyta, 2017).

Komarudin, Gursida, & Indrayono (2022) have conducted a comprehensive study on various instances of transfer pricing in Indonesia. Approximately 60% of multinational corporations operating in Indonesia are now engaged in tax issues about transfer pricing. These problems can be handled through domestic initiatives and bilateral dispute-resolution mechanisms between nations.

- According to calculations conducted by the Directorate General of Taxes, the state is at risk of incurring a loss of IDR 1.3 trillion as a result of the practice of transfer pricing.
- Raja Garuda Mas is accused of tax evasion amounting to IDR 1.34 trillion. The corporation is under suspicion for engaging in transfer pricing, false hedging transactions, and the creation of fictitious costs.

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- A firm in Indonesia intends to sell a product valued at 100 dollars to America. However, before its exportation, the commodity was initially sent to a Singaporean company for 60 dollars. Subsequently, a Singaporean corporation initiates a transaction valued at 100 dollars to the United States, resulting in Singapore retaining 40 dollars. The practice of transfer pricing has the potential to result in annual losses exceeding IDR 1,000 trillion.

This study examines the impact of tunneling incentives, bonus mechanisms, tax minimization, multinationality, leverage, and intangible assets on the transfer pricing decision in consumer cyclical and non-cyclical companies listed on the Indonesian Stock Exchange from 2020 to 2022. This study empirically examines the impact of various factors, such as tunneling incentives, bonus mechanisms, tax minimization, multinationality, leverage, and intangible assets, on the decision-making process of transfer pricing in consumer cyclical and non-cyclical companies listed on the Indonesian Stock Exchange. The research addresses the inconsistencies found in previous studies and considers the changes in tax rate regulations in Indonesia during the COVID-19 pandemic. The primary objective of this research is to provide practical guidance to policymakers, specifically the directorate general of taxation, to develop regulations that effectively mitigate the abuse of transfer pricing in Indonesia.

Literature Review

Signaling Theory

Signaling theory is a theoretical framework that examines how management communicates information to investors in a way that can impact the decisions made by these investors (Suganda, 2018). Signaling theory focuses on managers' voluntary disclosure of high-quality information to assist investors in making informed decisions (Godfrey, Hodgson, Tarca, Hamilton, & Scott, 2010). Having dependable signals will mitigate information asymmetry and divergent interests between corporate executives and shareholders (Ernawati & Rahman, 2022). The motivation for managers to offer signals is contingent upon the information within the firm. If the manager is confident in the company's growth prospects, they will send a favorable indication to investors. Nevertheless, if a firm encounters adverse news, managers may lack the incentive to furnish updates or signals to investors. Despite unfavorable corporate news, managers will continue to provide signals to uphold the company's credibility in the market (Godfrey et al., 2010).

According to Ernawati & Rahman (2022), investors would assess the information disclosed by the company and perceive it as either positive or negative news. If the information is perceived as a favorable indicator, investors will be inclined to engage in trades, so a response in the market will be instigated. The primary concern in signal theory revolves around the ability of companies to establish credibility and gain investors' trust in the signals they produce. Numerous corporations abuse transfer pricing, intentionally directing or exerting control over their company's income to shift it to countries with lower tax rates (Anh et al., 2018). This approach can impact a company's annual report, resulting in financial reports demonstrating good and sustainable performance due to high profits (Ernawati & Rahman, 2022).

Transfer Pricing

Transfer pricing refers to determining the prices at which goods, services, or intellectual property are transferred between different entities within a company or between companies that are part of the same multinational group (Anh et al., 2018; Ernawati & Rahman, 2022; Merle, Al-Gamrh, & Ahsan, 2019). Transfer pricing refers to the establishment of prices by management to regulate the exchange of goods and services between different entities within a corporation (Mangoting, 2000). Transfer pricing can be utilized for price engineering, a practice that aims to manipulate prices to

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manipulate earnings and reduce tax liability. According to Darussalam et al. (2013), transfer pricing neutrality has three objectives:
1. Enhance the effectiveness and collaboration between the corporation and its stakeholders (corporate law).
2. Maximizing profits by setting prices for goods or services inside a firm, specifically between different organizational units, falls under managerial accounting.
3. Transactions conducted utilizing transfer pricing involve the sale and transfer of goods or services. These transactions are conducted between parties with a specific relationship, particularly in taxation.

On the downside, transfer pricing is considered the deliberate manipulation, exploitation, and breach of transfer prices within a global corporation (Darussalam et al., 2013). The term "abuse of transfer pricing" refers to using transfer pricing to transfer taxable income from multinational firms to countries with lower tax rates to decrease tax liability and evade tax payments (Khalimi & Iqbal, 2020).

Tunneling Incentives and Transfer Pricing
Marfuah & Azizah (2014) state that tunnelling is typically conducted by dominant shareholders that manipulate business resources through transactions such as transfer pricing inside a privileged relationship. This transaction aims to transfer assets to another company within the same corporate group to decrease company earnings, minimize tax obligations, or evade dividend payments to minority shareholders. Tunneling incentive refers to the actions carried out by majority shareholders regarding asset distribution and the profits gained (Putra & Rizkillah, 2022).Tunneling incentive, in essence, involves deliberately manipulating income by diverting profits from high-tax countries to low-tax countries, benefiting specific groups (Solikhah, Aryani, & Widiatami, 2021). It refers to controlling shareholders and allocating assets and profits to their advantage (Putra & Rizkillah, 2022). Krisdianto, Fadah, & Puspitasari (2019) explain that tunnelling incentive refers to selling corporate products to affiliated companies at prices lower than the company's market value to keep its position, even if it lacks business management competence.

Baroroh, Malik, & Jati (2021); Jafri & Mustikasari (2018); Krisdianto et al. (2019); Marfuah & Azizah (2014); Muliya & Hasibuan (2018); Putra & Rizkillah (2022); Putri & Lindawati (2023); Solikhah et al. (2021) demonstrates that the presence of tunneling incentives has a positive impact on transfer pricing. Putra & Rizkillah (2022) state that companies can use transfer pricing when they transfer assets from a parent company to a subsidiary company across different countries when the assets in the parent company are of lesser value. Additionally, if the company has influential shareholders, it can manipulate transfer pricing through transactions with affiliated parties. Transactions can take the shape of either assets or profits by establishing unjustifiably high transfer prices. In addition, Jafri & Mustikasari (2018) asserted that there exists a favorable correlation between tunneling incentives and transfer pricing. This correlation indicates that the majority shareholder has significant authority in transferring assets and firm profits to tax haven countries through transactions with connected parties. The hypothesis of this investigation, as described above, is as follows:
H_1: Tunneling incentives have a positive effect on transfer pricing.

Bonus Mechanism and Transfer Pricing
The corporation implements a bonus mechanism to incentivize management by providing awards based on generated profit. This mechanism stimulates improved company performance (Jayanti &

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Kusumawati, 2023). The bonus mechanism is a prevalent method for incentivizing employees who successfully meet company objectives (Baroroh et al., 2021). The bonus system is a form of compensation the company provides to managers as a reward for achieving company objectives. Prizes can be awarded as bonuses, determined by income or revenue growth (Ghifari, Alfarijin, & Purnamasari, 2022). As per the findings of Muliya & Hasibuan (2018), transfer pricing is a method employed to enhance profits, hence impacting the company's income. Company owners distribute bonuses by evaluating performance, which is determined by the company's total generated earnings (Nurjannah et al., 2022).

The study conducted by Muliya & Hasibuan (2018) demonstrates that implementing a bonus mechanism favors transfer pricing. The study reveals that as the level of the bonus mechanism increases, so does the practice of transfer pricing. Furthermore, the company's profit determines the bonus awarded to directors, which incentivizes directors and management to use transfer pricing practices to maximize their bonuses and boost company profits. Based on the description above, the hypothesis of this research is presented as follows:
H_2: The bonus mechanism have a positive effect on transfer pricing.

Tax Minimization and Transfer Pricing
Tax is an obligatory contribution based on laws used to provide advantages so that the country can boost the prosperity of society (Nofryanti & Arsjah, 2019). According to Maulida & Wahyudin (2020), corporations regard taxes as a burden; hence, they carry out tax planning carefully transfer pricing, which causes the company to achieve significant profits. Likewise, Nofryanti & Arsjah (2019) stated that the greater the tax that must be borne is the reason companies undertake transfer pricing to reduce the tax burden that must be borne. Tax minimization is related to the company's efforts to reduce the company's outstanding tax burden (Riyadi & Kresnawati, 2021). Likewise, Putri & Lindawati (2023) explained that tax minimization is done by shifting a firm's income to a corporation in another nation with a specific relationship with a different tax rate.

Devi & Suryarini (2020) Riyadi & Kresnawati (2021) suggest that tax minimization has a favorable influence on transfer pricing; the greater the value of tax minimization, what the firm does is the decision transfer pricing what the company does will grow. The significant tax burden stimulates tax suppression by tax reduction through transfer pricing (Riyadi & Kresnawati, 2021). Based on the description above, the hypothesis of this research is presented as follows:
H_3: Tax minimization have a positive effect on transfer pricing.

Multinationality and Transfer Pricing
Multinational corporations create and sell goods and services in multiple countries (Ernawati & Rahman, 2022). According to Yanti & Pratiwi (2021), multinational corporations are also known as cross-border companies or other entities owned privately by the state or by a combination of both. Multinational companies have a greater chance of being exempt from the obligation to pay corporate tax compared to domestic companies because multinational companies carry out transactions covering various countries and will take advantage of tax incentives compared to domestic companies (Anh et al., 2018). Multinational corporations can obtain enormous revenues from diverse international sources; this allows multinational companies to evade taxes through transfer pricing.

Anh et al. (2018), Dinca & Fitriana (2019), Irawan & Ulinnuha (2022) reveal that multinationality has a favorable influence on transfer pricing. Multinational firms have activity in several countries with varied tax rates; therefore, they can be used to move corporate revenue and expenses to

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countries with lower tax rates (Irawan & Ulinnuha, 2022). Based on the description above, the hypothesis of this research is presented as follows:
H_4: Multinationality have a positive effect on transfer pricing.

Leverage and Transfer Pricing
Leverage is an instrument that allows managers to plan company revenues and determine optimal sources of funds to support growth in line with company development (Sumardi & Suharyono, 2020). Leverage shows how much debt the company has, where the debt level impacts the high interest that the company must pay (Fazriah, Alvina, & Nuryaman, 2022). According to Ernawati & Rahman (2022), if a company has a high level of leverage, then a portion of the firm's assets are financed using loans. Leverage can be a factor that pushes corporations to decrease the company's tax burden (Ginting et al., 2021).

A company with a high level of leverage indicates that most assets are funded by debt; this requires the company to save more so that the company still has funds to distribute to shareholders or as manager bonuses (Ernawati & Rahman, 2022). Leverage is used to explain how much debt a company has and explain the company's ability to pay off short-term and long-term debt (Fazriah et al., 2022). According to Devita & Sholikhah (2021), the larger the debt a firm has, the less tax the company must suffer and the greater its profits.

Cahyadi & Noviari (2018); Devita & Sholikhah (2021); Fazriah et al. (2022); Merle, Al-Gamrh, & Ahsan (2019) indicate that leverage positive influence on transfer pricing, the higher the ratio leverage the firm has, the higher the practice transfer pricing what the company does. French corporations registered in CAC-40 use leverage to decrease corporate taxes through reduced interest costs, profits, and fewer ETRs (Merle et al., 2019). Based on the description above, the hypothesis of this research is presented as follows:
H_5: Leverage have a positive effect on transfer pricing.

Intangible Assets and Transfer Pricing
PSAK 19 states that intangible assets are assets with long-term benefits and no physical form. Intangible assets are challenging to detect and may be readily employed in practice transfer pricing (Jafri & Mustikasari, 2018). Complicated fair value calculations in transactions intangible assets will create an opportunity for corporations to do so transfer pricing (Novira et al., 2020). Several multinational firms allocate intangible asset companies to countries with lower tax rates to generate royalties from other companies in countries with higher taxes (Merle et al., 2019).

Novira et al. (2020) show that intangible assets have a positive influence on transfer pricing; the higher the value of intangible assets, the higher the practice of transfer pricing; fair value measurements that are difficult to carry out in transactions intangible asset will provide an opportunity for companies to do so transfer pricing. Based on the description above, the hypothesis of this research is presented as follows:
H_6: Intangible have a positive effect on transfer pricing.

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The research framework is presented as follows:

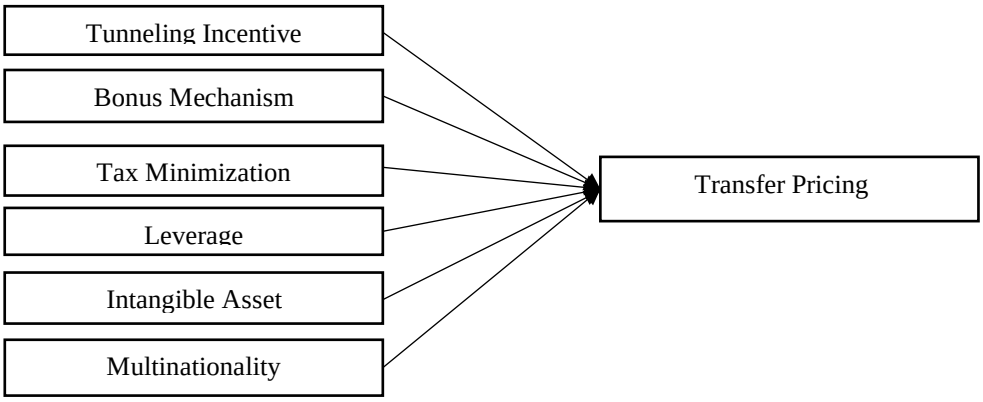

Figure 1. Research Framework

2. RESEARCH METHOD

The data used in this study is derived from secondary sources, specifically the financial reports of companies listed on the Indonesia Stock Exchange. These reports can be accessed on the website www.idx.co.id. The sample selection method employed a purposive sampling technique. The research sample comprised 59 consumer cyclical and non-cyclical companies listed on the Indonesia Stock Exchange between 2020 and 2022. These companies were chosen based on specific criteria. The findings of the sampling process are presented in Table 1.

Table 1. Sample Selection Procedure
Source: Data Processed

No.	Sample Criteria	Total Company	Total Data
1.	Company *consumer cyclicals* and *non-cyclicals* are consistently listed on the Indonesian Stock Exchange during 2019-2022.	192	768
2.	Company *consumer cyclical* and *non-cyclical* did not publish financial reports for 2019-2022.	(13)	(52)
3.	Company *consumer cyclical* and *non-cyclical*, which does not have a closing period ending on December 31 for 2019-2022.	(0)	(0)
4.	Company *consumer cyclical* and *non-cyclical* consistently present financial reports in Rupiah during 2019-2022.	(15)	(60)
5.	Company *consumer cyclical* and *non-cyclical* who consistently experience income tax benefits during 2019-2022.	(66)	(264)
6.	Company *consumer cyclical* and *non-cyclical*, consistently producing pre-tax losses during 2019-2022.	(40)	(160)
	Total research data	**59**	**236**

The operational definition of variables is described in table 2 as follows:

Table 2. Operational Definition

Definitions	Formula	Scale
Transfer pricing is a policy used to determine prices in transactions between companies with a special relationship (Refgia Thesa, 2017).	$\mathbf{T}\text{RFP} = \frac{\text{Receivable from Related Party}}{\text{Total Accounts Receivable}}$ Source: Nurjannah et al. (2022)	Ratio

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Tunneling incentive arises when majority shareholders transfer company assets and profits while minority shareholders bear the consequences (Saraswati & Sujana, 2017).	$TNC = \frac{\text{The Largest Number of Shareholdings}}{\text{Total Shares Outstanding}}$ Source: Nurjannah et al. (2022)	Ratio
Bonus mechanism is a gift or appreciation from the company to managers for meeting company targets; prizes can be in the form of bonuses based on income or increases in income (Ghifari, Alfarijin, & Purnamasari, 2022).	$BM = \frac{\text{Net Profit Year (t)}}{\text{Net Profit Year (t} - 1)}$ Source: Nurjannah et al. (2022)	Ratio
Tax minimization is a strategy used to reduce the tax burden that must be borne by transfer pricing so that income can be sent to countries with lower tax rates (Hartati, Desmiyawati, & Julita, 2014).	$TM = \frac{\text{Total Income Tax Expense}}{\text{Pretax Profit}}$ Source: Devi & Suryarini (2020)	Ratio
Multinationality refers to multinational companies operating in many countries or companies with share ownership in branch companies of more than 50% (Ernawati & Rahman, 2022).	$MULTI = \frac{\Sigma\text{Subsidiary Companies Abroad}}{\Sigma\text{Subsidiary Companies}}$ Source: Ernawati & Rahman (2022)	Ratio
Leverage is the amount of debt the company uses to finance its assets. Leverage is used to improve return estimates within a company.	$LEV = \frac{\Sigma\text{Debt}}{\Sigma\text{Asset}}$ Source: Ginting et al. (2021)	Ratio
Intangible asset refers to assets that provide long-term benefits and do not have a physical form. This asset is essential for the company and will not be sold (Ernawati & Rahman, 2022).	IA = ΣIntangible Asset Source: Ernawati & Rahman (2022)	Ratio

Data Analysis Method

The statistical analyses encompass descriptive statistics, which furnish data on mean values, standard deviation, and the range of values. The subsequent tests include the assessment of residual data normality, multicollinearity, heteroscedasticity, and autocorrelation. A hypothesis test was conducted using the multiple linear regression analysis method. The equations of this study model are presented below:

$TRFP = \beta_0 + \beta_1 TI + \beta_2 BM + \beta_3 TM + \beta_4 MULTI + \beta_5 LEV + \beta_6 IA + \varepsilon$

Information:

β_0	=	constant
$\beta_{1\text{-}6}$	=	The regression coefficient of each independent variable
TRPF	=	Transfer pricing
TI	=	Tunnelling incentive
BM	=	Bonus Mechanism
MULTI	=	Multinationality
LEV	=	Leverage
IA	=	Intangible Asset
e	=	Error

3. RESULTS AND DISCUSSION

The research findings are displayed in Table 2, providing descriptive statistical statistics based on a dataset of 236 observations. This research's descriptive statistical tests yield information about the entire dataset's mean, standard deviation, minimum, and maximum values. Testing is conducted to assess the data's reliability, precision, and consistency.

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Table 2. Descriptive Statistical

Variable	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
TRFP	236	0,000	0,9994	0,2066	0,3244
TI	236	0,1538	0,9250	0,5996	0,2143
BM	236	-16,7687	140,1830	1,9583	9,7281
TM	236	0,0038	2,9408	0,2955	0,2958
MULTI	236	0,000	0,5926	0,0718	0,1309
LEV	236	0,0665	0,8153	0,4131	0,1885
IA	236	0,000	58.321.873.000.000	1.394.771.341.747	8.185.597.354.079

Transfer pricing (TRFP) indicates a mean value of 0.2066, showing that only around 21% of the organizations in the research sample carry out transfer pricing, with a standard deviation value of 0.3244. This variable had a maximum value of 0.99943 and a lowest value of 0.00000. Tunneling incentive (TNC) reveals a mean value of 0.5996, which suggests that the companies in the research sample are dominated by blockholder companies with a standard deviation value of 0.2143. This variable had a maximum value of 0.92500 and a minimum value of 0.15382. The bonus mechanism (BM) displays a mean value of 1.9583, demonstrating that, on average, the companies in the sample set a more significant profit target than the previous year with a standard deviation of 9.7281. This variable had a maximum value of 140.1830 and a lowest value of -16.76872. Tax minimizing (TM) has a mean value of 0.2955, demonstrating that, on average, the companies in the sample do not undertake tax minimization with a standard deviation value of 0.2958. This variable had a maximum value of 2.94080 and a lowest value of 0.00379.

Multinationality (MULTI) has a mean value of 0.0718, which suggests that, on average, the companies in the research sample are not multinational, with a standard deviation value of 0.1309. This variable had a maximum value of 0.59259 and a lowest value of 0.00000. Leverage (LEV) indicates a mean value of 0.4131, which shows that, on average, the companies in the research sample have an asset-to-debt composition of 41% with a standard deviation value of 0.1885. This variable had a maximum value of 0.81526 and a minimum value of 0.06653. Intangible asset (IA) has a mean value of 1,394,771,341,747, which shows that, on average, the companies in the research sample recorded intangible assets of 1 trillion with a standard deviation value of 8,185,597,354,080. This variable recorded a maximum value of 58,321,873,000,000 and a lowest value of 0.00000.

The F-test findings of this research are displayed in Table 3. The significance level of 0.012 is less than the alpha value of 0.05, indicating that the model is statistically fit and appropriate for use in research. The coefficient of determination, also known as Adj value R^2, has a value of 0.069. The independent variables in the model can account for around 6.9% of the variability in the dependent variable. In comparison, the remaining 93.1% of the variability cannot be explained and is attributable to other factors not included in the model.

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Table 3. T Test Results

Model	B	Say.	Decision
(Constant)	0,333	0,000	
TNC	-0,103	0,301	H_1 not accepted
BM	0,000	0,896	H_2 not accepted
TM	-0,109	0,128	H_3 not accepted
MULTI	0,452	0,008	H_4 accepted
LEV	-0,160	0,155	H_5 not accepted
IA	0,000	0,689	H_6 not accepted

Adj. R^2 = 0,069
F = 2,812, Sig.= 0,012

The t-test results indicate that the p-value for the tunneling incentive (TNC) is 0.301, which is greater than the significance level of 0.05. Therefore, we reject the alternative hypothesis H_1. Therefore, it may be inferred that tunneling incentives (TNC) do not affect transfer pricing. Transfer pricing is implemented not due to the majority shareholder's influence but because management is motivated to exploit the benefits, or the transfer pricing decisions made are typical business decisions aimed at minimizing costs and benefiting all parties involved (Riyadi & Kresnawati, 2021). The findings of this study align with the research conducted by Abbas & Eksandy (2020), Devita & Sholikhah (2021), Jayanti & Kusumawati (2023), Komarudin et al. (2022); Nurjannah et al. (2022); Riyadi & Kresnawati (2021); Saifudin & Putri (2018); Sari et al. (2021), all of which indicate that tunneling incentives do not have an impact on transfer pricing.

The p-value of the bonus mechanism (BM) is 0.896, which is greater than the significance level of 0.05. That indicates that H_2 is not supported. Ultimately, the bonus mechanism (BM) does not impact transfer pricing. Transfer pricing is not employed to obtain bonuses from the company. Instead, managers seek accurate performance outcomes that can be evaluated through financial reports reflecting actual circumstances. That enables the information to be effectively utilized in decision-making processes (Nurjannah et al., 2022). The findings of this study align with the research conducted by Baroroh et al. (2021), Ghifari et al. (2022), Jayanti & Kusumawati (2023), Novira et al. (2020), Nurjannah et al. (2022), Rahmawati & Mulyani (2020); Saifudin & Putri (2018); Solikhah et al. (2021); Yanti & Pratiwi (2021), all of which demonstrate that the bonus mechanism does not exert any influence on transfer pricing.

The significance value of tax minimization (TM) is 0.128, greater than the alpha value of 0.05. That indicates that H_3 is not acceptable. Therefore, it may be inferred that tax minimization (TM) does not affect the transfer price. Putri & Lindawati (2023) argue that the tax burden does not incentivize enterprises to use transfer pricing for tax minimization. The findings of this study align with the findings of Putri & Lindawati (2023), which indicate that tax reduction does not impact transfer pricing.

The variable multinationality (MULTI) has a significant value of 0.008, smaller than the predetermined threshold of 0.05 (alpha). Therefore, we adopt the alternative hypothesis H_4. Therefore, it may be inferred that multinationality (MULTI) has a positive impact on transfer pricing. According to Irawan & Ulinnuha (2022), a positive correlation exists between the number of overseas subsidiaries a company possesses and its level of engagement in transfer pricing. Multinational corporations operate in various countries with varying tax rates, enabling them to manipulate their income and expenses by diverting them to countries with lower tax rates. The findings of this study align with the research conducted by Anh et al. (2018), Dinca & Fitriana (2019), Irawan & Ulinnuha (2022), which demonstrate that multinationality exerts a favourable impact on transfer pricing.

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The significant value of the leverage (LEV) is 0.128, which is higher than the alpha value of 0.05. Therefore, we cannot accept the alternative hypothesis H_5. Based on this analysis, it can be inferred that leverage (LEV) does not substantially influence transfer pricing. The findings of this study align with the research conducted by Ginting et al. (2021), Komarudin et al. (2022), Krisdianto et al. (2019), which assert that organizations have the option to adopt specific accounting policies in order to enhance their profitability.

The intangible assets (IA) have a significant value of 0.689, above the alpha level of 0.05. Therefore, we cannot accept the alternative hypothesis (H_6). Intangible assets (IA) do not impact transfer pricing. Krisdianto et al. (2019) argue that intangible assets do not form part of a firm's operational operations and do not directly impact corporate profits. The findings of this study align with the research conducted by Jafri & Mustikasari (2018), Komarudin et al. (2022), Krisdianto et al. (2019), Putra & Rizkillah (2022), all of which demonstrate that intangible assets do not have an impact on transfer pricing.

4. CONCLUSION AND RECOMMENDATIONS

The test results indicate that multinationality positively impacts firm decisions regarding transfer pricing. Due to their multinational nature, corporations have a broader scope to take advantage of tax rules across different nations, which gives them a more significant chance to engage in transfer pricing. Despite the changes in the corporate income tax rate policy in Indonesia from 2020 to 2022, with the rate decreasing to 22% in 2020 and 2021 and further decreasing to 20% in 2022, these changes do not affect the influence of multinationality on transfer pricing. However, tunneling incentives, bonus schemes, tax minimization, leverage, or intangible assets do not affect the company's decision to carry out transfer pricing. The research implies that multiple stakeholders, including tax regulators, must understand multinationality rules that facilitate firms' greater use of transfer pricing tactics. Tax authorities can implement more stringent regulations and oversight in order to reduce instances of transfer pricing manipulation.

The research has limitations: (1) It is restricted to specific study objects, namely consumer cyclical and non-cyclical enterprises listed on the Indonesia Stock Exchange (BEI). (2) The coefficient of determination for the research is only 6.9%, suggesting that the independent variables in the study can only account for around 6.9% of the variability in the dependent variable. The following recommendations are provided for future researchers on the limitations identified in this study: (1) Broaden the range of research subjects by including more sectors outside consumer cyclical and non-cyclical, such as basic industries and chemical sectors. (2) Incorporating supplementary factors into the study to bolster the explanatory power of the independent variables concerning the dependent variable, such as the exchange rate or the organization's size.

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