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THE INFLUENCE OF CORPORATE INCOME TAX, TUNNELING INCENTIVE, AND DEBT CONVENANT ON TRANSFER PRICING DECISIONS WITH TAX MINIMIZATION AS A MODERATION

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ABSTRACT

The objective of this research was to examine the effect of tunneling incentives, bonus mechanisms and debt covenants on transfer pricing. This research was also conducted to examine the role of tax minimization in moderating the relationship between these variables. The research sample is a consumer goods sector manufacturing company listed on the Indonesia Stock Exchange in 2014-2018. This study used a purposive sampling method, with 110 observational data. The analytical method used is multiple linear regression. The results of the research show that only debt covenants are proven to be able to increase the company's transfer pricing. This study cannot prove that corporate income tax, tunneling incentives affect transfer pricing transaction decisions. Tax minimization is not proven to moderate the relationship between tunneling incentives, Corporate Income Tax, and debt covenants on transfer pricing transactions.

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INTRODUCTION

The current development of the business world has triggered the growth of multinational companies whose operational scope is not only in their own country, but also extends overseas. One of the problems faced by multinational companies is differences in tax rates between countries. This difference in tax rates makes multinational companies carry out transfer pricing in their international transactions (Nurjannah et al, 2015).

One of the strategies for determining transfer pricing is used by the Coca-Cola company, a world company. The Coca-Cola business issued underpayment notices in September 2015 totaling US$3.3 billion for 2007 to 2009. (DDTCNews, 2019). The existence of recurring income by one of its subsidiaries in countries where business licenses, formulas and other intangible products are granted also raises suspicions about this issue. Additionally, there are differences in the perspectives of the Internal Revenue Service and the Coca-Cola company (IRS).

*Transfer pricing*often used by businesses as a tactic to maximize sales revenue. It is natural that businesses that prioritize profits will seek to maximize profits through various strategies, including cost effectiveness. One way is through transfer pricing policies (Hartati et al, 2015).

The basic principle of transfer pricing is to maximize profits. So the company must periodically sell products up to the point where the additional costs due to additional units produced and sold, which is called the marginal cost of production of units produced and sold, are lower than the income obtained from selling those units (marginal revenue). In terms of determining prices for integrated companies, prices must be determined based on the producer's marginal costs (Purwanto and James, 2018).

*Transfer pricing*has a relationship with agency theory, with regard to transactions involving at least two parties, namely the party making the transfer is called the transferor and the party receiving the transfer is called the transferee, transfer pricing has a relationship with agency theory. According to Article 9 Paragraph 1 of the OECD Model Tax Convention, management participation, possession of control and business capital tests can be used to determine whether a relationship is special (OECD, 2004). The first is the conflict between business owners and management; management tends to run the business for management's benefit, which can sometimes be to the detriment of the business owner. This is another conflict in agency theory (Geodfrey et al, 2010). The second conflict is a conflict between non-controlling shareholders, this conflict arises because controlling shareholders will tend to use their control to transfer company profits or assets to their interests (tunnelling), and will be detrimental to controlling shareholders who lose their share of the profits or company assets they own. (Liu, & Lu, 2007).

A company's policy to determine the price of a transaction between parties who have a special relationship is known as transfer pricing. In general. According to law number 36 of 2008 article 18 paragraph (4), a special relationship between corporate taxpayers can arise if an entity owns or controls shares of another entity amounting to 25% (twenty five percent) or more, or if one entity has a share from several bodies by 25% (twenty five percent) or more (Anisyah, 2018).

Because multinational companies often shift their tax duties from high tax countries to low tax countries, it is considered that transfer pricing reduces or eliminates the potential tax revenues of a country (low tax countries). Because tax is one source of revenue for the Indonesian APBN, this results in huge losses for developing countries like Indonesia (Cahyadi and Noviari, 2018).

Experts agree that setting transfer pricing can be a challenge for businesses, but they also point out that it provides an opportunity for high-income companies to manipulate the system. Companies that have affiliates in countries with high tax rates will experience difficulties because their profits will decrease due to paying higher taxes. There are businesses that see this as an opportunity and develop plans to increase sales while reducing taxes. One strategy is to establish a subsidiary in a country that offers low tax rates or is recognized as a tax haven country. Taxes are the people's legal contribution to the state treasury, allowing the government to collect them without paying taxpayers anything directly. Taxes are levied by the authorities based on legal norms to cover the costs of producing collective goods and services to achieve a high level of general welfare. So the tax burden is a tax imposed on individuals and entities as one of the state's income sectors.

Experts acknowledge that setting transfer pricing can be a challenge for businesses, but they are also wary of the potential for abuse. According to data from news articles published by Okezone, transfer pricing is estimated to cause annual losses of more than IDR 1,000 trillion. As a result of this strategy, Indonesia's foreign exchange reserves experienced a decline in addition to dollars parked in other countries. Please note, as of the end of September, Indonesia only had foreign exchange reserves of USD 101.72 billion. Apart from that, according to information provided by Kompas, transfer pricing in Indonesia is estimated to be worth IDR 1,200 trillion. Therefore, tax arrears to the state treasury can reach Rp. 120 trillion or 10%. Businesses involved in transfer pricing often engage in financial engineering by declaring operating margins of 6-8%. However, the actual margin achieved was 48%. Obviously, this has a very negative impact on the country's ability to collect taxes. In reality, the company's transfer pricing policy is used to assess how well each department or division is performing (Suandy, 2014). However, in practice, there are many variations of regulations governing transfer pricing, one of which is used for tax avoidance. Both abroad and in Indonesia, many irregularities have been discovered in transfer pricing practices.

One of the reasons companies carry out transfer pricing is the payment of taxes. Companies pay high taxes to avoid paying taxes, namely through transfer pricing. Multinational companies with many branches in various countries tend to shift their tax obligations from countries with high tax rates to countries with low tax rates in transfer activities (Refgia et al, 2017).

The higher a country's tax rate, the more likely it is that companies will be manipulated into transferring income to companies in countries with lower tax rates. However, due to the absence of standard regulations, taxpayers often win transfer pricing audits in tax courts, so that multinational companies are increasingly motivated to carry out transfer pricing (Julaikah, 2014).

According to a report issued by the Directorate General of Taxes (Kemenkeu) of the Ministry of Finance, tax revenues have reached Rp. 1.151 trillion this year. Non-oil and gas sector income tax is IDR 396.89 trillion. Manufacturing companies in the consumer goods and industrial sector are still the largest contributors to non-oil and gas PPh revenues with a contribution of 31.8% this year. Furthermore, the trade sector contributed 19.3%, financial services contributed 14%, and agriculture contributed 1.7%. (Sindo, 2018). Based on this data, manufacturing companies in the goods and consumption industry sector make the largest contribution to non-oil and gas tax revenues, which means that manufacturing companies in the goods and consumption industry sector have the potential to carry out transfer pricing.

*Tunneling Incentives*is another factor that allows companies to make decisions about transfer pricing. The transfer of resources from within the company to controlling shareholders is known as tunneling. Transferring resources can be done in various ways, one of which is through transfer pricing. (Sarawasti & Sujana, 2017) found that tunneling incentives have a positive effect on company transfer pricing decisions.

Another factor that encourages companies to use transfer pricing is debt covenants. Debt covenants are contracts addressed to borrowers by creditors to limit activities that could harm loan value and loan recovery, according to Cochran (2001). (Pambudi, 2017). Debt covenants are agreements that protect lenders from managerial actions that are detrimental to creditor interests, such as paying excessive dividends or leaving equity below a predetermined level. Watts (1986) emphasized that the motivation to choose accounting methods is closely related to positive accounting theories, one of which is the debt covenant hypothesis.

Several previous studies examined the relationship between Corporate Income Tax, Tunneling Incentive, Debt Covenant and transfer pricing. Several studies, including research conducted by (Nazihah, Azwardi, & Fuadah, 2019), show that taxes have a positive effect on transfer pricing. However, in research (Yulia, Hayati, & Daud, 2019), these findings are significant. This difference is caused by the findings of previous researchers, especially research (Nazihah, Azwardi, & Fuadah, 2019) which states that tunneling incentives have a negative influence or there is no relationship between tunneling incentives and transfer pricing, while research (Mintorogo & Djaddang, 2019) only shows influential results. This difference is related to the results of previous researchers' research, especially research (Supriyati, Murdiawti, & Prananjaya, 2021) stating that the effect of debt covenants on transfer pricing is positive, and the results of no effect are found in research (Mintorogo & Djaddang, 2019).

The tax minimization variable in Mispiyanti's (2015) research shows that tax minimization has no significant effect on transfer pricing, whereas in the research of Refgia (2017), F, Mayowan, & Karjo (2016), Hartati et al. (2015), Nurjanah et al. (2015) shows that tax minimization has a significant effect on transfer pricing.

Based on the results of the background explanation presented above, there are differences of opinion regarding the variables that influence transfer pricing or whether they still contradict the research results of previous researchers. So the author is interested in conducting research with the title "The Effect of Corporate Income Tax, Tunneling Incentive, Debt Covenant on Transfer Pricing with Tax Minimization as a moderating variable in Consumer Goods Industry Sub-Sector Companies listed on the BEI for the 2018-2022 period".

THEORY AND HYPOTHESIS DEVELOPMENT

The influence of Corporate Income Tax (PPh) on Transfer Pricing decisions

*Transfer Pricing*is an action taken by a company to avoid paying very high taxes. Therefore, corporate income tax (PPh) is one of the factors that influences transfer pricing. The company will make tax savings where the company will report lower profits in its financial statements which will cause the company's corporate income tax (PPh) burden to be lower. The higher the corporate income tax (PPh), the higher the transfer pricing level of a company. And conversely, if the lower the corporate income tax (PPh) of a company, the lower the level of transfer pricing. Research conducted by Refgia (2017) states that the higher a country's tax rate, the greater the possibility of companies manipulating them to divert their income to companies in countries that have lower tax rates, or in other words, companies will tend to implement transfer pricing policies. Thus, it can be said that corporate income tax (PPh) has a positive effect on transfer pricing as shown in research conducted by Yulia et al. (2019), Kusumasari et al. (2018), Refgia (2017), Noviastika (2016) and Yuniasih et al. (2012) where these studies reveal that taxes have a positive effect on a company's decision to implement a transfer pricing policy.

H1: Corporate Income Tax (PPh) has a positive effect on Transfer Pricing decisions.

The Effect of Tunneling Incentive on Transfer Pricing decisions

Companies carry out tunneling incentives with the aim of minimizing transaction costs. The increasing practice of tunneling incentives means companies will carry out more transfer pricing transactions with parties who have special relationships (Marfuah & Azizah, 2014). The ownership structure and availability of financial resources in the company that will be tunneled are two things that companies need to consider when tunneling. (Sarawasti & Sujana, 2017)

(Mispiyanti, 2015) found that tunneling incentives have a positive effect on transfer pricing decisions, where company shares that are owned by foreigners will be sold to related parties at unreasonable prices for the benefit of controlling shares located in countries with lower tax rates than Indonesia. This is in line with (Sarawasti & Sujana, 2017), (Noviastika F et al., 2016) that tunneling incentives have a positive effect on indications for transfer pricing.

H2: Tunneling Incentive has a positive effect on Transfer Pricing decisions.

The influence of the Debt Covenant on Transfer Pricing decisions

The higher the company's debt ratio, the greater the possibility for managers to choose accounting procedures that can increase profits. One method implemented by companies to increase profits and to avoid credit regulations is transfer pricing. Managers will have accounting methods that can increase profits so they can relax credit limits and reduce the costs of technical errors.

(Nuradila & Wibowo, 2018) and (Sundari & Susanti, 2016) found that debt convenants did not significantly influence the company's decision to carry out transfer pricing. In contrast to research results (Faisal, 2020), (Rosa Ria et al., 2017) that Debt covenants have a significant positive effect on transfer pricing, which means, if debt covenants increase, the greater the possibility of companies carrying out transfer pricing.

H3: Debt Covenant has a positive effect on Transfer Pricing decisions.

***Tax Minimization*as a moderating influence of Corporate Income Tax on Transfer Pricing decisions.**

One of the reasons companies carry out transfer pricing is the payment of taxes. Companies pay high taxes to avoid paying taxes, namely through transfer pricing. Multinational companies with many branches in various countries tend to shift their tax obligations from countries with high tax rates to countries with low tax rates in transfer activities (Refgia et al, 2017) which is one of the factors estimated to be a motive that strengthens the influence on practices. transfer pricing transactions.

(Nuradila & Wibowo, 2018), (Amanah & Suyono, 2020), (Rahmawati Nila & Mulyani Susi Dwi, 2020) stated that tax minimization failed to moderate the influence of Corporate Income Tax on transfer pricing decisions in multinational companies. In (Nazihah et al., 2019) that corporate taxes strengthen the positive effect on transfer pricing.

H4: Tax minimization strengthens the positive influence of Corporate Income Tax on Transfer Pricing decisions.

***Tax Minimization*as a moderating influence of Tunneling Incentive on Transfer Pricing decisions.**

Companies often use transfer pricing as an alternative to reduce their tax liabilities because high tax rates increase the tax burden they have to bear. The desire to reduce tax obligations will make the relationship between tunneling incentives and transfer pricing stronger. One method of tunneling is to sell company goods to businesses with special ties at a discount to market value rather than paying dividends.

Nuradila & Wibowo, (2018), (Rahmawati Nila & Mulyani Susi Dwi, 2020) stated that tax minimization significantly moderates the positive effect of tunneling incentives on transfer pricing decisions in multinational companies. tax minimization significantly moderates the effect of tunneling incentives on transfer pricing provisions in multinational companies. (Yulianti & Rachmawati, 2019) stated that Tax minimization does not moderate the influence of tunneling incentives on transfer pricing decisions.

H5:*Tax Minimization*strengthen the positive influence of Tunneling Incentive on Transfer Pricing decisions.

***Tax Minimization*as a moderating influence of Debt Covenant on Transfer Pricing decisions.**

According to (Deslatu & Susanto, 2010), multinational companies use transfer pricing to reduce their overall tax obligations. Managers will take advantage of the fact that the company is in debt to reduce its tax liability by raising interest rates to increase business income. Leaders can use techniques to increase company earnings by using transfer pricing if the debt percentage increases.

(Nuradila & Wibowo, 2018), (Amanah & Suyono, 2020), (Yulianti & Rachmawati, 2019) state that Tax minimization does not moderate the influence of debt convenants on transfer pricing provisions.

H5:*Tax Minimization*strengthen the positive influence of Debt Covenant on Transfer Pricing decisions.

RESEARCH METHODS

The population in this study are Consumer Goods Industry Sub-Sector companies listed on the Indonesia Stock Exchange in 2018-2022. The sample was determined using the purposive sampling method, namely a sample selection technique based on certain considerations or criteria. The sample used is only companies that meet the following criteria:

1. The company is consistently listed on the Indonesian Stock Exchange from 2018-2022
2. The company published audited financial reports as of December 31 for the period 2018 to 2022.
3. The company uses the rupiah currency as the functional currency in its audited annual financial reports.
4. The company has transactions with related parties.

The results of sample selection are as follows:

Table 1
Sample Selection Procedure

Information	Number of Companies	Total Data
Manufacturing company listed on the Indonesia Stock Exchange from 2018-2022	50	250
Manufacturing companies that are inconsistently listed on the Indonesian Stock Exchange during the 2018-2022 period	(10)	(50)
Consumer goods industry subsector companies whose Financial Reports do not have transactions with related parties	(9)	(45)
Consumer goods industry subsector companies that do not distribute dividends in their financial reports	(9)	(45)
Samples and data used in research	**22**	**110**

RESEARCH VARIABLE

The variables used in this research are as follows:

a. Dependent Variable (Y)

(Nuradila & Wibowo, 2018) Transfer pricing is the price contained in each product/service from one division to another division within the same company or between companies that have a special relationship. This research uses the Related Party Transaction (RPT) value to measure transfer pricing.

$$\text{RPT} = \frac{Total\ Piutang\ Pihak\ Istimewa}{Total\ Piutang} \text{x } 100\%$$

b. Independent Variable (X)

This research examines the variables that influence transfer pricing decisions.

1. Corporate Income Tax (PPh) (X1)

Tax can be defined as the contribution of people's taxpayers to the state which can be enforced according to law and without direct contravention. Taxes are also a government prerogative which will be used wisely to achieve general welfare. Definition of tax according to Law no. 28 of 2007 concerning KUP, namely "Tax is a mandatory contribution to the State that is owed by an individual or entity that is coercive based on law, without receiving direct compensation and is used for State needs for the greatest prosperity of the people" (Kusumasari, et all, 2018).

According to Law No. 36 of 2008, what is meant by tax is: "Compulsory contributions to the state that are owed by individuals or entities that are coercive based on law, without receiving direct compensation and are used for state needs for the greatest prosperity of the people" . Taxes are public contributions to the state (which can be enforced) without receiving reciprocal services (counter-performance) which can be directly demonstrated and which are used to pay for public expenses." Suandy (2011) defines it as an achievement to the government that is owed through general norms, and which can be enforced, without any counter-achievement that can be demonstrated in individual terms; the intention is to finance government expenditure (Cahyadi and Noviari, 2018).

The formula used in this research to measure taxes using cash ETR is as follows:

$$\text{Current ETR} = \frac{\text{Beban Pajak kini}}{Laba\ kena\ pajak}$$

2. *Tunneling Incentives*

The tunneling incentive variable in this study is measured by the percentage of foreign share ownership above 20% as controlling shares. Based on the statement of Financial Accounting Standards (PSAK) No.15 (Statement of Financial Accounting Standards (PSAK), 2019) that an entity is considered to have significant influence directly or indirectly (through subsidiaries) if it includes capital of 20% or more. (Noviastika F et al., 2016) controlling shareholders can transfer resources from the company to themselves through transactions between companies and owners such as asset sales, transfer price contracts.

$$\text{TUN} = \frac{Jumlah\ kepemilikan\ saham\ terbesar}{Total\ saham\ yang\ beredar} \text{x } 100\%$$

3. *Debt Covenant*

*Debt covenant*is a contract directed at the borrower by the creditor to limit activities that might damage the loan value and loan recovery. Debt covenants also indicate that managers tend to overstate profits and assets to reduce renegotiation costs of debt contracts (Cochran, 2001 in (Pambudi, 2017). This research uses the Debt to Assets Ratio (DAR) as a measurement of the debt covenant variable.

$$DER = \frac{Total\ Hutang}{Total\ Modal}$$

c. Moderating Variable (Z)

The measurement of tax minimization in this research was carried out using CTTOR (corporate tax to turn over ratio) which is a comparison between corporate tax payments compared to the number of sales made by taxpayers in that year. This is in accordance with the Circular Letter of the Director General of Taxes Number SE-96/PJ/2009 (Director General of Taxes No SE-96/PJ/2009, 2009) and Circular Letter of the Director General of Taxes Number

SE – 02/PJ/2016 (Director General of Taxes No SE-02/PJ/2016, 2016). These two circular letters were issued to increase the efficiency and effectiveness of monitoring taxpayer compliance.

Table 2
Measurement Variable

Variable	Measurement	Scale
Dependent		
Transfer Pricing	Mark RPT = RPT Receivables x 100% / Total Receivables	Ratio
Independent		
Corporate Income Tax	$\text{ETR} = (Beban\ Pajak\ Kini)/(Laba\ Kena\ Pajak)$	Ratio
Tunneling Incentives	Foreign share ownership = Total foreign ownership x 100% / Total shares outstanding	Ratio
Debt Covenant	DAR = Total Debt x 100% / Total assets	Ratio
Moderating Variables		
Tax Minimization	CTTOR = Income Tax Due x 100% / Sale	Ratio

To determine the magnitude of the influence of the independent and moderating variables on the dependent variable, researchers used quantitative analysis, namely by using analytical techniques in the form of multiple regression analysis methods. Multiple regression analysis was carried out by testing observation data simultaneously during the 2018 – 2022 period.

The multiple linear regression model is shown in the following equation:

T.P= α + β1TI + β2BM + β3DAR + β4 (TI*TM) + β5 (BM*TM) + β6 (DAR*TM) + e (1)

Information:

Y : *Transfer Pricing*
α : Constant
β1… β6 : Regression Coefficient
(Beta)ETR : Corporate Income Tax
IT : *Tunneling Incentives*
DAR : *Debt Covenant*
TM :*Tax Minimization*
e :*Error*

RESEARCH RESULTS AND DISCUSSION

This section discusses research results and discussions which include descriptive statistics, multicollierity tests, and multiple linear regression. The sample selection in this study used a purposive sampling method and samples that met the criteria were 22 companies during 2018 - 2022.

Descriptive Statistical Analysis

Descriptive Statistical Analysis provides an overview of the minimum, maximum, mean and standard deviation values of each variable used in the research.

Table 3
Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Mean	Std. Deviation
T.P	110	0,000	,979	,247	.311
ETR	110	-4,806	21,896	1,140	2,376
IT	110	0.002	,998	,492	,356
DAR	110	0.141	,880	,429	,177
TM	110	0,000	,171	,029	.031
Valid N (listwise)	110				

Based on Table 3 of the samples used in observations, the average descriptive statistics for the Transfer Pricing variable is 24.7% of the 110 samples or 22 companies that have special relationship transactions. This illustrates that the company carries out transfer pricing, it can be seen from the foreign ownership side, where the average percentage of foreign ownership is 49.2%. This explains that company shares that are owned by foreigners will be sold to related parties at a fair price. for the benefit of controlling shareholders, Mispiyanti (2015).

Data Normality Test and Classic Assumption Test

The following are the results of data normality testing using the Kolmogorov Smirnov test with a significant value of 0.06 (presented in table 6). meaning the data is normally distributed. The results of the classical assumption test are presented in table 4 as follows:

Table 4
Classic Assumption Test Results

Variable	Collinearity Statistics		Autocorrelation	Heteroscedasticity
	Tolerance	VIF	DW = 0.274	Glacier Test
ETR	0.162	6,159		,762
IT	0.034	29,796		.073
DAR	0.031	32,204		,737
TI_TM	0.082	12,234		,901
BM_TM	0.182	5,483		,644
DAR_TM	0.122	8,168		,695
Conclusion	There is Multicollinearity		There is Autocorrelation	Heteroscedasticity Free

The results of the classical assumption test in table 4 show variables that still experience multicollinearity, but because this test uses moderation, this can still be used for further analysis. This heteroscedasticity test shows that the independent variable does not contain heteroscedasticity, so this can still be used for further analysis.

Correlation Results Between Variables

The correlation between research variables is presented in table 5. The correlation between Tunnelling Incentive (TI), ETR, DAR and Transfer Pricing shows a positive and significant correlation. Only the TM variable shows negative and insignificant results.

Table 5
Correlation Between Variables

T.P	1	,839**	,518**	,862**	-.060
ETR	,518**	.463**	1	,600**	-.083
IT	,839**	1	.463**	,968**	-.081
DAR	,862**	,968**	,600**	1	-.087
TM	-.060	-.081	-.083	-.087	1

Multiple Linear Regression Analysis

To prove the hypothesis in this research, the data obtained was analyzed using a multiple regression model. Based on the results of this research, the following values were obtained:

Table 6
Analysis Multiple linear regression

Variable	Prediction Direction	B	Q	Sig	Conclusion
ETR	+	-.004	,205	,419	H1 is rejected
IT	+	-.055	-.187	,426	H2 is rejected
DAR	+	1,727	2,618	,005	H3 is accepted
TM	+	3,645	1,135	,129	
TI_TM	+	5,461	,804	,214	H4 is rejected
BM_TM	+	-.037	-.063	,475	H5 is rejected
DAR_TM	+	-15.106	-.977	,165	H6 is rejected
Adjusted R2		0.735			
F		42,832			
Sig		0.06			

From Table 6 it can be seen that the research results show that the R Square value is 0.735, which means the dependent variable can be explained by the independent variables, namely the tunneling incentive, Corporate Income Tax and debt covenant variables of 73.5% while the remaining 26.5% is explained by the variables other variables outside this research. The results of testing the tunneling incentive variable with a sig value of 0.42, which is greater than the sig value of 0.05, shows that H1 is accepted. H0 is rejected, meaning that the tunneling incentive variable has no positive effect on transfer pricing. This influence can also be seen from the Beta (β) results of -0.055 which states the effect TI negative for TR. The debt convenat test results have a positive β value of 1.7227, which states that the influence of the debt convenat variable is positive on transfer pricing.

DISCUSSION

The results of this research prove that Debt Convenat plays a role in stimulating management regarding transfer pricing decisions in multinational companies with a significance level of 0.06 respectively. The results of this research are consistent with research conducted by (Faisal, 2020), (Rosa Ria et al., 2017) which found that Debt Covenants have a positive effect on transfer pricing decisions but there are differences with research (Sundari & Susanti, 2016) that debt covenants negative and insignificant effect on transfer pricing decisions. Company managers will choose accounting methods that can increase profits so they can relax credit limits and reduce the costs of technical errors. One method implemented to increase profits and to avoid credit regulations is transfer pricing.

Further findings in this research show that the tunneling incentive and bonus mechanism do not strengthen the influence of transfer pricing decisions, with the results at a significance level of 0.426 and 0.419 so that H1 and H2 are rejected. The results of this research are also supported by (Sarawasti & Sujana, 2017), (Amanah & Suyono, 2020) revealing that tunneling incentives and corporate income tax have no effect on indications for transfer pricing. The results of this research prove that the bonus mechanism used by company owners to reward the board of directors for managing their company well has no effect on transfer pricing decisions. With the right bonus policy, the owner hopes that management can improve performance through efficient tax payments

The tunneling incentive regression test results identified that foreign shareholders did not use their control rights to order management to determine unfair prices in transactions such as purchasing raw materials, obtaining rental income, renting office space and vehicles, royalties and engineering services, management services, and foreign labor costs, for the benefit of controlling shares located in countries with lower tax rates than Indonesia.

This research provides empirical evidence that Tax Minimization is not proven to weaken the positive relationship between tunneling incentives, corporate income tax and debt covenants on transfer pricing decisions, so that H4, H5 and H6 are rejected. The results of this research are in line with (Amanah & Suyono, 2020), Nuradila & Wibowo (2018) that tax minimization fails to moderate the influence of corporate income tax and debt covenants on transfer pricing.

The large tax burden does not trigger several multinational companies to carry out transfer pricing in the hope of reducing this burden. Company efforts to minimize the tax burden that must be paid can be done through tax management. Tax management is a comprehensive effort pursued by the company so that everything related to taxation can be managed effectively, efficiently and economically. This means that this method is a process to minimize the tax burden while remaining on track, in accordance with the provisions of applicable tax laws and regulations, namely Regulation of the Director General of Taxes No PER-32/PJ/2010 (Director General of Taxes No PER-32/PJ/2010, 2010) discusses the application of the principle of fairness and business custom (arm's length principal) regarding transactions between taxpayers and parties who have special relationships.

This rule requires taxpayers to use fair market value in transactions with related parties. According to the arm's length principle, transfer prices should be set so that they reflect the agreed price even though the transaction is carried out by parties who do not have a special relationship. So if there is a transaction between companies that have a special relationship then the conditions of the transaction must be the same as transactions between companies that do not have a special relationship (Marfuah & Azizah, 2014)

By having a transfer pricing agreement between taxpayers and the Directorate General of Taxes to parties who have special relationships, it can reduce the occurrence of transfer pricing abuse practices in multinational companies.

CONCLUSION

Based on the results of the analysis and discussion, it is concluded that:

1. *Debt Covenant*has a positive effect on Transfer Pricing decisions. In line with (Rosa Ria et al., 2017) that Debt Convenant has been proven to have a positive influence on Transfer Pricing decisions, so that the higher the credit limit, the greater the possibility of deviations from credit agreements and costs being incurred. Company management will choose accounting methods that can increase profits thereby loosening credit limits and reducing technical costs.

2. *Tunneling Incentives*and corporate income tax has no effect on Transfer Pricing decisions. (Sarawasti & Sujana, 2017), (Amanah & Suyono, 2020) also stated that Tunneling Incentives and corporate income tax were proven to have no positive effect on Transfer Pricing decisions. The transfer pricing decision with foreign ownership status and corporate income tax that transfer pricing is the price given to transactions that have a special relationship between divisions and companies has not been proven to be influential.

3. *Tax Minimization*not proven to weaken the positive relationship of tunneling incentives, corporate income tax and debt covenants on transfer pricing decisions. The results of this research are in line with (Nuradila & Wibowo, 2018) (Yulianti & Rachmawati, 2019), indicating that tax minimization does not influence multinational companies carrying out transfer pricing to reduce the tax burden caused by unreasonable pricing in transactions carried out by parties. who have a special relationship.

Limitations

This research is not free from limitations that can cause the research results to be biased, namely: The sample of companies is reduced due to the percentage of foreign ownership, and special relationships between companies that are not disclosed, this reduces the sample size significantly.

Suggestions for Further Research

Based on the limitations of this research, the researcher provides several suggestions for improving further research:
The sample used in this research only focuses on multinational companies in the consumer goods industry subsector on the Jakarta Stock Exchange. For future research, it is hoped that the sector will use a larger sample object by taking all companies listed on the IDX.

It is hoped that the government will make an agreement with multinational corporate taxpayers regarding PER-32/PJ/2010-Application of Fairness Principles in Special Relationship Transactions so as to reduce abuse of transfer pricing transactions which have an impact on reducing State tax revenues.

Citations and References

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