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THE INFLUENCE OF BONUS, TUNNELING INCENTIVE AND THIN CAPITALIZATION MECHANISMS ON TRANSFER PRICING WITH COMPANY SIZE AS A MODERATION VARIABLE

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ABSTRACT

The purpose of this study is to determine the effect of bonus mechanisms, tunneling incentives and thin capitalization on transfer pricing with company size as a moderation variable in manufacturing companies listed on the Indonesia Stock Exchange (IDX). The research time period used is 5 years, namely the period 2017-2021. The population of this study includes allmanufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017- 2021period. The sampling technique uses purposive sampling technique. Based on the established criteria,14 companies were obtained. The type of data used is secondary data obtained from the Indonesia Stock Exchange website. The analysis method used is panel data regression analysis supported by the Eviews 12 program application. The results of this study show that the bonus mechanism has no effect ontransfer pricing, tunneling incentive has an effect on transfer pricing, thin capitalization affects

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INTRODUCTION

Economic developments in the world and very rapid business competition have a big influence on business patterns and the attitudes of business people. With the current development of the business world, it is able to encourage the growth of national companies into multinational companies whose activities are not only centered in one country, but in several countries. This results in the absence of barriers between countries, meaning the flow of goods, services and capital will flow in and out from one country to another without obstacles.

Transfer pricing is carried out by multinational companies to minimize the amount of tax that must be paid. Transfer pricing in sales of goods or services transactions is carried out by reducing the selling price between companies in the same group by transferring profits earned to companies where the country applies a low tax rate. (Cahyadi & Naniek, 2018).

Transfer pricing is the transfer price of the selling price of goods, services and intangible assets to subsidiaries or to related parties or special relationships located in various countries. (Refgia, 2017). The definition of special relationship is regulated in the Income Tax Law. Article 18 paragraph 4 of Law Number 36 of 2008, the scope of special relationships occurs if there is direct or indirect ownership of at least 25% in another Taxpayer. Furthermore, the definition of a special relationship occurs when several taxpayers are directly or indirectly under the same control.

The transfer pricing phenomenon that occurs in manufacturing companies, Adaro Energy Tbk, operates in the mining sector. The Directorate General of Taxes is investigating the alleged transfer pricing scheme in 2017 by the Toyota Company, which is one of the large companies in Indonesia operating in the automotive sector. The Directorate General of Taxes suspects PT Toyota Indonesia of carrying out transfer pricing by transferring the burden of excess profits to its affiliated company in Singapore, where that country applies a lower tax rate (Kempis, 2017). Apart from that, in 2019 PT Adaro Energy Tbk, through its subsidiary in Singapore,

sold coal cheaply to the subsidiary PT Adaro Energy Tbk located in Singapore, then sold it again at a high price in that country (Priana, 2019).

With this, there are several reasons or factors for companies to carry out transfer pricing. One of them is the Bonus Mechanism, to maximize bonuses, managers tend to carry out profit engineering to maximize net profit. This is in accordance with the bonus plan hypothesis where managers will use accounting procedures to increase profits by carrying out transfer pricing practices. If the company's profit target is achieved, the company owner will give an award in the form of a bonus to the manager.

The next factor that can influence a company's decision to carry out transfer pricing is tunneling incentive (share ownership). Tunneling incentive is a behavior of majority shareholders who transfer company assets and profits for their own benefit, but minority shareholders share in the costs they charge (Hartati, Desmiyawati, & Julita, 2015). The greater the shareholder ownership, the more it will trigger transfer pricing practices (Hartati et al,2015).

Apart from bonus mechanisms and Tunneling Incentives, Thin capitalization can also influence companies to carry out transfer pricing. Ernawati, et al., (2019) argue that funding sources originating from the parent company to subsidiaries will improve transfer pricing practices. Thin capitalization is usually carried out by providing loans to subsidiaries or related parties through interest-bearing debt to multinational companies rather than using additional capital, especially if the branch company is in a country that has high tax rates. Large interest expenses can reduce taxable income.

The moderating variable in this research is company size. Company size is a scale orvalue reference that can classify a company into a large or small category based on total assets. The larger the size of a company, the more complex the transactions carried out will be. This allows companies to take advantage of existing gaps to maximize profits, one of which is by means of transfer pricing. The results ofprevious research state that company size has a positive effect on transfer pricing (Sa'diah & Afriyenti, 2021).

THEORY AND HYPOTHESIS DEVELOPMENT

Agency Theory

Jensen and Meckling (1976) define an agency relationship as a contract in which one main party (the principal) involves another party (the agent) to carry out service activities on behalf of the main party. The main party, or in the business world often associated with shareholders, will delegate decision-making authority to the agent. In an agency relationship, there is a contract between one or more people (the principal) who orders another person (the agent) to perform a service on behalf of the principal and authorizes the agent to make the best decisions for the principal.

The relationship between agency theory and transfer pricing, which is based on the assumption of basic human nature, has been explained that each individual will focus on their own interests, causing agency problems because there are parties who have different interests and work together with each other in different divisions of tasks. The authority to manage company assets given by the principal to the agent can make the agent put aside the interests of shareholders by taking advantage of their incentives to carry out transfer pricing with the aim ofreducing the taxes that must be paid.

Transfer Pricing

Transfer Pricing is a company policy in determining the transfer price of a transaction, be it goods, services, intangible assets, or financial transactions in transactions between parties who have a special relationship to maximize profits. (Refgia, 2017). The basic principle of transfer pricing is to maximize profits. So the company must periodically sell products up to thepoint 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 this research, transfer pricing is measured using a proxy for the ratio of related party transaction value (RPT), formulated as follows:

$$RPT = \frac{\text{Amount of Receivables from Related Parties}}{\text{total receivables}}$$

source : (Refgia, 2017)

Bonus mechanism

The bonus mechanism is a strategy or calculation motif in accounting whose aim is to reward directors or management by looking at overall profits. With an appropriate bonus policy, the owner hopes that management can improve company performance through efficient tax payments (Mispiyanti, 2015). The aim is to reward directors or management by looking at the company's overall profits.

In this research, the bonus mechanism is measured using the net profit trend index, formulated as follows:

$$INTRENDLB = \frac{\text{Net Profit for the year t}}{\text{Net Profit for the year t-1}} \times 100\%$$

source : (Mispiyanti, 2015)

Tunneling Incentive

Tunneling incentive is a behavior of majority shareholders who transfer company assets and profits for their own benefit, but minority shareholders share the costs they charge (Hartati et al, 2015).

In this research, tunneling incentive is proxied using the following calculation:

$$TNC = \frac{\text{Largest Number of Share Ownership}}{\text{Number of Shares Outstanding}}$$

Source : (Mispiyanti, 2015)

Thin Capitalizatoin

Thin capitalization refers to a condition where a company decides to use debt rather thancapital as a source of funding (Taylor & Richardson, 2013 in (Agata et al., 2021).

According to (Nainggolan & Sari, 2020) the company's strategy for obtaining capital has a significant impact on the profits reported for tax purposes. The company's tax burden can be minimized by using debt as a source of funding, because tax regulations allow interest expenses, both paid and in the form of debt, as expenses that can be deducted when calculating fiscal profit..

In this research thin capitalization is proxied by the Debt to Equity Ratio (DER),formulated as follows:

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Source : (Ernawati, 2019)

Company Size

Company size is a scale or value reference that can classify a company into a large or small category based on total assets. The larger the size of a company, the more complex the transactions carried out will be. This allows companies to take advantage of existing gaps to maximize profits, one of which is by means of transfer pricing.

In this research, company size is measured using the formula:

$$\text{Company Size} = \text{Ln (Total Asset)}$$

Source: (Pratama, 2020)

Conceptual Framework

A hypothesis is the formulation of a temporary answer to a problem to be studied. The formulation of this research hypothesis is:

1. **The Influence of the Bonus Mechanism on Transfer Pricing**

   To maximize bonuses, managers tend to engineer profits to maximize net profit. This is in accordance with the bonus plan hypothesis where managers will use accounting procedures to increase profits by carrying out transfer pricing practices. If the company's profit target is achieved, the company owner will give appreciation in the form of a bonus tothe manager.

   Supported by research from research conducted by Rezky and Fachrizal (2018) and Safira et al. (2021) shows that the bonus mechanism has a significant influence on transfer pricing. Based on the framework above, the following hypothesis is formulated:

   H1: The Bonus Mechanism influences Transfer Pricing.

2. **The Effect of Tunneling Incentives on Transfer Pricing**

   Tunneling incentive is a behavior of majority shareholders who transfer company assets and profits for their own benefit, but minority shareholders share in the costs they charge (Hartati, Desmiyawati, & Julita, 2015). The greater the shareholder ownership, the more it will trigger transfer pricing practices (Hartati et al, 2015).

   This research is supported by the results of previous research conducted by Hakim et al. (2022) and Maulani et al. (2021) shows that there is a significant influence betweentunneling incentives and transfer pricing. This is the reference for the hypothesis, namely : **H2: Tunneling Incentive Influences Transfer Pricing.**

3. **The Effect of Thin Capitalization on Transfer Pricing**

   Thin capitalization is the practice of financing subsidiaries or larger subsidiaries with interest-bearing debt from related companies rather than share capital. Ernawati, et al., (2019) argue that funding sources originating from the parent company to subsidiaries will improve transfer pricing practices.

   This research is supported by previous research conducted by Widyana (2022) showing that Thin Capitalization has a significant influence on transfer pricing. Meanwhile, research by Agatha et al. (2021) shows that Thin Capitalization has a significant positive effect on transfer pricing. Based on this, the researcher proposed the following hypothesis: **H3: Thin Capitalization Berpengaruh Terhadap Transfer Pricing.**

4. Company Size Moderates the Bonus Mechanism on Transfer Pricing

In an effort to maximize company profits, stakeholders or interested parties do not rule out the possibility of carrying out transfer pricing activities. Maximizing company profits by using the transfer pricing method, the greater the bonus received by the directors or interested parties. Therefore, it can be concluded that the rewards in the form of bonuses given by companies to employees are seen based on the performance of other directions anddivisions in a company. The greater the profit a company acquires, the better its image will be in the eyes of the company owner. The large size of the company means that the

company will use a bonus mechanism strategy as a way to carry out transfer pricing activities. Based on this, the researcher proposed the following hypothesis:

H4: Company Size Can Moderate the Effect of Bonus Mechanisms onTransfer Pricing.

5. Company Size Moderates Tunneling Incentive on Transfer Pricing

According to Hartati et al (2015) in Husna (2020) Tunneling Incentive is a behavior of majority shareholders who transfer assets and company profits to gain their own profits, but minority shareholders will be charged as fee holders. The greater the shareholder ownership, the more it will trigger transfer pricing practices (Hartati et al, 2015). Based on this, the researcher formulated the following hypothesis:

H5: Company Size Can Moderate the Effect of Tunneling Incentive Against TransferPricing.

6. Company Size Moderates the Effect of Thin Capitalization on Transfer Pricing

Based on the capital structure theory presented by Miller & Modigliani (1963) in Christiana and Martani (2016), debt can be used to increase company value, because there are tax incentives that companies receive through the ability of loan interest expenses to reduce taxable income. A condition where a company uses more debt than capital as a source of funding is called thin capitalization practices (OECD, 2012).

When the company size is large, thin capitalization of transfer pricing will increase. The large size of the company causes the company to use a thin capitalization strategy which encourages managers' decisions to choose ways to increase profits by providing loans to subsidiaries that have special relationships through interest-bearing debt so as to reduce taxable income. Therefore, company size can improve transfer pricing decisions. Based on this, the researcher formulated the following hypothesis:

H6: Company Size Can Moderate the Effect of Thin Capitalization Against TransferPricing.

RESEARCH METHODS

This research was conducted to determine the influence of the relationship between the independent variables Bonus Mechanism, Tunneling Incentive and Thin Capitalization on the dependent variable Transfer Pricing and the Moderating Variable Company Size. The objects used in this research use manufacturing companies listed on the Indonesia Stock Exchange (BEI) with this research data using the 2017–2021 time period. The type of data used in this research is secondary data. The data collection technique in this research was for five years, namely from 2017-2021.

Secondary data in this research was obtained through the official website of the Indonesia Stock Exchange (BEI), namely, www.idx.co.id. The reason for choosing the Indonesian Stock Exchange as a research location is because it provides complete and easily accessible financial report information on its official website at www.idx.co.id.

Sampling Method

Sampling was carried out using a purposive sampling method, with the following criteria:

1. Manufacturing companies that have gone public and are listed and consistent on the Indonesia Stock Exchange (BEI) for the 2017-2021 period.

2. Manufacturing companies that publish financial reports for the 2017-2021 period. Manufacturing companies that made a profit during the 2017-2021 period. Manufacturing companies that use the rupiah currency.

Data Collection Technique

In terms of the problem being studied, the researcher took the research method data usedas follows:

1. Literature Study (library research)

The data collection technique is by searching for data collection in the form of theories from literature related to the problem being studied, including journals, books, theses or other scientific works with the aim of completing secondary data.

2. Documentation Study

The data collection technique is by searching for the required data according to the variables studied in the form of notes, reports or documents.

Data Analysis Method

1. Descriptive Statistical Analysis

Descriptive statistics are statistics used to analyze data by explaining a situation or phenomenon of data that has been collected as it is without intending to provide conclusionsthat apply to the general public (Sugiyono, 2017).

2. Panel Data Regression Analysis

According to Eksandy (2018) panel data regression analysis is a combination of cross section data and time series data, where the same cross section units are measured at different times. So in other words, panel data is data from several individuals (samples) observed over a certain period of time.

RESEARCH RESULTS AND DISCUSSION

1. Descriptive Statistical Analysis

Descriptive statistical analysis is used to see a picture of the distribution of the data to be studied. Data distribution can be seen through the mean. median. maximum. minimum value. standard deviation. skewnessm kurtosis. and jarque-bera (Ahyar et al., 2020). The variables used in this research are transfer pricing, bonus mechanism, tunneling incentive, thin capitalization and company size. The results of descriptive statistical analysis testing are as follows :

	TP	MB	TI	TC	UP
Mean	0.309844	1.068286	0.602182	1.292900	29.95100
Median	0.199300	1.100300	0.579778	1.186300	29.18000
Maximum	0.955100	2.140500	0.929900	2.256300	33.49000
Minimum	0.005100	0.103100	0.224700	0.791900	27.66000
Std. Dev.	0.310110	0.396111	0.226605	0.325658	1.792214
Skewness	0.871792	-0.044961	-0.295699	1.598621	0.534926
Kurtosis	2.317242	3.884496	1.893596	4.779678	1.927999
Jarque-Bera	10.22655	2.305392	4.590486	39.05302	6.690160
Probability	0.006016	0.315784	0.100737	0.000000	0.035257
Sum	21.68910	74.78000	42.15276	90.50300	2096.570
Sum Sq. Dev.	6.635625	10.82636	3.543143	7.317668	221.6300
Observations	70	70	70	70	70

Source: Data Olahan Eviews, 2023

Based on the table above. It can be explained that the amount of data (observation) used in this research was 70 data for all dependent variables, independent

variables and moderating variables. The dependent variable, namely transfer pricing, has a value (mean)of 0.309844.

The bonus mechanism variable has a value (mean) or average value of 1.068286. This shows that the average value of the comparison between this year's net profit divided by last year's net profit in manufacturing companies listed on the IDX for the 2017-2021 period is 1.06.

The tunneling incentive variable has a value (mean) or average value of 0.602182. This shows that the average value of the comparison between the largest number of share ownership divided by the number of shares outstanding in manufacturing companies listed on the IDX for the 2017-2021 period is 0.60.

The thin capitalization variable has a value (mean) or average value of 1.292900. This shows that the average value of the comparison between total liabilities divided by the total amount of equity in manufacturing companies listed on the IDX for the 2017-2021 period is 1.29.

The company size variable has a value (mean) or average value of 29.95100. This shows that the natural log of total assets in manufacturing companies listed on the IDX for the 2017-2021 period is 29.95.

2. Panel Data Regression Model

a. Test Chow

Redundant Fixed Effects Tests
Equation: CEM
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	84.746041	(13,52)	0.0000
Cross-section Chi-square	216.963912	13	0.0000

Source: Data Olahan Eviews, 2023

Based on the table above. It can be seen that the cross-section probability value F (0.0000) < a (0.05) and the prob. Cross-section Chi-square (0.0000) < a (0.05). so that Ha is rejected, which means that the Fixed Effect Model (FEM) is better used in estimating panel data regression compared to the Common Effect Model (CEM).

b. Test Hausman

Correlated Random Effects - Hausman Test
Equation: CEM
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.427629	4	0.1694

Source: Data Olahan Eviews, 2023

Based on the table above. It can be seen that the Random Cross-Section Probability value (0.1694) > a (0.05). so Ha is accepted. which means that the Random Effect Model (REM) is better used in estimating panel data regression compared to the Fixed Effect Model (FEM).

c. Test Lagrange Multiplier

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided
(all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	94.76220 (0.0000)	2.453093 (0.1173)	97.21529 (0.0000)
Honda	9.734588 (0.0000)	-1.566235 (0.9414)	5.775897 (0.0000)
King-Wu	9.734588 (0.0000)	-1.566235 (0.9414)	3.352335 (0.0004)
Standardized Honda	11.55572 (0.0000)	-1.398336 (0.9190)	3.702545 (0.0001)
Standardized King-Wu	11.55572 (0.0000)	-1.398336 (0.9190)	1.202403 (0.1146)
Gourieroux, et al.	--	--	94.76220 (0.0000)

Source: Data Olahan Eviews, 2023

Based on the table above. It can be seen that the Breusch-Pagan Cross-Section Probability value (0.0000) < a (0.05). so Ha is accepted. which means that the Random Effect Model (REM) is better used in estimating panel data regression compared to the Common Effect Model (CEM).

3. Model Feasibility Test (Test F)

Weighted Statistics

Root MSE	0.058632	R-squared	0.155999
Mean dependent var	0.032751	Adjusted R-squared	0.104061
S.D. dependent var	0.064281	S.E. of regression	0.060845
Sum squared resid	0.240636	F-statistic	3.003533
Durbin-Watson stat	2.206688	Prob(F-statistic)	0.024509

Source: Data Olahan Eviews, 2023

Based on the table above, the F-statistic value is 3.003533. while the F table has a level of a = 5%. df1 (k-1) = 4 and df2 (n-k) = 65 and the F table value is 2.35165, thus the F-statistic (3.003533 > F Table 2.35165 and the Prob (F-statistic) value is 0.024509 < 0.05, so it can be concluded that Ha is accepted This means that the independent variables in this research which consist of bonus mechanisms, tunneling incentives and thin capitalization simultaneously influence transfer pricing.

4. Test T

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.756760	0.801883	2.190794	0.0321
MB	0.062461	0.022809	2.738392	0.0080
TI	-0.521887	0.301318	-1.732013	0.0880
TC	[illegible]	[illegible]	[illegible]	[illegible]
UP	-0.039428	0.026563	-1.484297	0.1426

Source: Data Olahan Eviews, 2023Based on the table above, it shows that:

a. The influence of the bonus mechanism on transfer pricing

The t-statistic value of the bonus mechanism is 2.738392. while t Table with level a = 5%. and df (n-k) = 65, the t table value is 1.66757 and the Prob value is 0.0080 < 0.05. Soit can be concluded that the bonus mechanism variable in this research has no effect on transfer pricing.

b. The effect of tunneling incentives on transfer pricing

The tunneling incentive t-statistic value is -1.732013. while t Table with level a = 5%. and df (n-k) = 65, the t table value is 1.66757 and the Prob value is 0.0880 > 0.05. So itcan be concluded that the tunneling incentive variable in this research has an effect on transfer pricing.

c. The effect of thin capitalization on transfer pricing

The thin capitalization t-statistic value is -0.408916. while t Table with level a = 5%.and df (n-k) = 65, the t table value is 1.66757 and the Prob value is 0.6839 > 0.05. So it can be concluded that the thin capitalization variable in this research has an effect on transfer pricing.

d. Company size moderates the influence of bonus mechanisms on transfer pricing.

Dependent Variable: TP
Method: Panel EGLS (Cross-section random effects)
Date: 01/19/23 Time: 10:42
Sample: 2017 2021
Periods included: 5
Cross-sections included: 14
Total panel (balanced) observations: 70
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.663888	0.992617	0.668826	0.5059
MB	0.670318	0.392152	1.709331	0.0921
UP	-0.013322	0.033354	-0.399420	0.6909
MB_UP	-0.020943	0.013452	-1.556939	0.1243

Source : Data Olahan Eviews, 2023

The t-statistic value of company size moderates the bonus mechanism by -1.556939. while t Table with level ? = 5%. and df (n-k) = 65, the t table value is 1.66757and the Prob value is 0.1243 > 0.05. So it can be concluded that company size cannot moderate the influence of the bonus mechanism on transfer pricing.

e. Company size moderates the influence of tunneling incentives on transfer pricing..

Dependent Variable: TP
Method: Panel EGLS (Cross-section random effects)
Date: 01/19/23 Time: 10:44
Sample: 2017 2021
Periods included: 5
Cross-sections included: 14
Total panel (balanced) observations: 70
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.550196	3.045478	0.837371	0.4054
TI	-2.127269	4.564798	-0.466016	0.6427
UP	-0.064976	0.104568	-0.621371	0.5365
TI_UP	0.054563	0.156735	0.348124	0.7289

Source : Data Olahan Eviews, 2023

The t-statistic value of company size moderates the tunneling incentive by 0.348124. while t Table with level a = 5%. and df (n-k) = 65, the t table value is 1.66757 and the Prob value is 0.7289 > 0.05. So it can be concluded that company size cannot moderate the influence of tunneling incentives on transfer pricing.

f. Company size moderates the influence of thin capitalization on transfer pricing.

Dependent Variable: TP
Method: Panel EGLS (Cross-section random effects)
Date: 01/19/23 Time: 10:45
Sample: 2017 2021
Periods included: 5
Cross-sections included: 14
Total panel (balanced) observations: 70
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.005192	1.105265	0.909458	0.3664
TC	0.178246	0.443879	0.401565	0.6893
UP	-0.023529	0.036614	-0.642615	0.5227
TC_UP	-0.005694	0.014516	-0.392242	0.6961

Source : Data Olahan Eviews, 2023

The t-statistic value of company size moderates thin capitalization by -0.392242. while t Table with level a = 5%. and df (n-k) = 65, the t table value is 1.66757 and the Prob value is 0.6961 > 0.05. So it can be concluded that company size cannot moderate the influence of thin capitalization on transfer pricing.

Interpretation of Results

1. The Influence of the Bonus Mechanism on Transfer Pricing

From this research, the bonus mechanism variable has a t-statistic value of 2.1738392, while the t table with a level of a = 5% df (n-k) = 65, the t table value is 1.66757. thus the t-statistic (2.1738392) > t table (1.66757) and the Prob value is 0.0080 < 0.05. Based on the results of the analysis, it can be seen that H1 is rejected, which means that the bonus mechanism variable in this study has no influence on transfer pricing.

These results are in accordance with research conducted by Refgia (2017) and Purwanto and Tumewu (2018) which stated that the bonus mechanism does not have a significant effect on a company's decision to carry out transfer pricing. The bonus mechanism is one method used by companies which is based on the amount of profit in giving bonuses to managers or directors by looking at their overall performance. Theopinion regarding companies carrying out transfer pricing by giving bonuses to directors so that the profits obtained are greater so that they can be used to pay bonuses to directors can be said to be wrong.

2. The Effect of Tunneling Incentives on Transfer Pricing

From this research, the tunneling incentive variable has a t-statistic value of -1.732013. while t Table with level a = 5%. and df (n-k) = 65, the t table value is 1.66757and the Prob Prob value is 0.0880 > 0.05. then H2 is accepted, which means that the tunneling incentive variable has an effect on transfer pricing. The results of this research show that the greater the shares owned by the controlling shareholder, the greater the opportunity for a company to carry out transfer pricing.

Because if a subsidiary company makes a purchase from the parent company at aprice that is not in line with the fair price (more expensive), then this will automaticallyprovide benefits for the parent company, especially for controlling or majority shareholders. These results are in accordance with research conducted by Noviastika, et al (2016),
Refgia (2017), Purwanto and Tumewu (2018) which stated that tunneling incentives have a significant effect on transfer pricing.

3. The Effect of Thin Capitalization on Transfer Pricing

From this research, the thin capitalization variable has a t-statistic value of - 0.408916. while t Table with level a = 5%. and df (n-k) = 65, the t table value is 1.66757and the Prob value is 0.6839 > 0.05. So H3 is accepted, which means the thin capitalization variable has an effect on transfer pricing.

When financing branches, companies can use debt or capital. If you use debt, interest expenses will arise which can reduce the company's taxable income so that the company can practice transfer pricing. This research is in line with research conducted by Widyana (2022) showing that Thin Capitalization has a significant influence on transfer pricing.

4. Company Size Moderates the Effect of Bonus Mechanisms on Transfer Pricing

From this research, company size in moderating the bonus mechanism for transfer pricing has a t-statistic value of -1.556939. while t Table with level a = 5%. and df (n-k) = 65, the t table value is 1.66757 and the Prob value is 0.1243 > 0.05. So H4 is rejected, whichmeans that the company size variable cannot moderate the influence of the bonus mechanism on transfer pricing.

Company size describes the size of the company, but company size cannot be used as a factor in determining management bonuses. So the size of the company cannot strengthen or weaken the influence of the bonus mechanism on transfer pricing.

5. Company Size in Moderating the Effect of Tunneling Incentive on Transfer Pricing

From this research, company size in moderating tunneling incentives on transfer pricing has a t-statistic value of 0.348124. while t Table with level a = 5%. and df (n-k) = 65, the t table value is 1.66757 and the Prob value is 0.7289 > 0.05. So H5 is rejected, whichmeans that the company size variable cannot moderate the influence of tunneling incentives on transfer pricing.

Large companies tend to be more careful in making strategic decisions so that they can truly maintain the company's reputation. Controlling shareholders cannot directly make

decisions about the company, but must be approved by the board of directors. The performance of large companies will always be observed by investors, so managers are more careful in publishing their financial reports, so that transfer pricing practices are not carried out.

6. Company Size Moderates the Effect of Thin Capitalization on Transfer Pricing

From this research, company size in moderating thin capitalization on transfer pricing has a t-statistic value of -0.392242. while t Table with level a = 5%. and df (n-k) = 65, the t table value is 1.66757 and the Prob value is 0.6961 > 0.05. So H6 is rejected, whichmeans that the company size variable cannot moderate the effect of thin capitalization on transfer pricing.

Conclusion

Based on the results of the data analysis carried out in the previous chapter regarding theInfluence of Bonus Mechanisms, Tunneling Incentives and Thin Capitalization with Company Size as a Moderating Variable, the following conclusions can be put forward:

1. The bonus mechanism has no effect on transfer pricing. This is shown by the t-statistic of (2.1738392) > t-table (1.66757) and a significance value of (0.0080) < (0.05). This means that the opinion regarding companies carrying out transfer pricing by giving bonuses to directors so that the profits obtained are greater so that they can be used to pay bonuses to directors can be said to be wrong.
2. Tunneling incentives influence transfer pricing. This is indicated by a t-statistic of (- 1.732013) < t-table (1.66757) and a significance value of (0.0880) > (0.05). This means that the greater the shares owned by the controlling shareholder, the greater the opportunity for acompany to carry out transfer pricing.
3. Thin capitalization has an effect on transfer pricing. This is indicated by a t-statistic of (-0.408916) < t-table (1.66757) and a significance value of (0.6839) > (0.05). This means that if the company uses debt to finance its branches, interest expenses will arise which can reduce the company's taxable income, so the company can practice transfer pricing.
4. Company size cannot moderate the influence of the bonus mechanism on transfer pricing. This is indicated by a t-statistic of (-1.556939) < t-table (1.66757) and a significance value of (0.1243) > (0.05). This means that company size cannot be used as a factor in determining a management bonus. So the size of the company cannot strengthen or weaken the influence of the bonus mechanism on transfer pricing.
5. Company size cannot moderate the influence of tunneling incentives on transfer pricing. This is indicated by a t-statistic of (0.348124) < t-table (1.66757) and a significance value of (0.7289) > (0.05). This means that the larger the size of the company cannot determine the larger the shares owned by the controlling shareholder which can cause transfer pricing to occur. So company size cannot weaken or strengthen the influence of tunneling incentiveson transfer pricing.
6. Company size cannot moderate the effect of thin capitalization on transfer pricing. This is indicated by a t-statistic of (-0.392242) < t-table (1.66757) and a significance value of

   (0.6961) > (0.05). This means that the size of the company cannot determine whether the company will finance the branch using debt which causes interest expenses which can reduce taxable income. So company size cannot weaken or strengthen the influence of thin capitalization on transfer pricing.

Limitations

Based on the results of testing the hypothesis in this research, the researchers found several limitations or elements that could not be predicted, including:

1. There are annual reports of several manufacturing companies that are no longer found on the IDX website or the company's website, which means they cannot be used as sample companies in this research.
2. Several manufacturing companies experienced losses during the pandemic so they could notbe used as samples in this research.

Recommendation

Researchers provide recommendations or suggestions based on experience in compiling this research, as follows:

1. It is hoped that we can conduct research on other variables that may be rare and have never been researched before which can influence companies in carrying out transfer pricing practices.
2. It is hoped that other research sectors can be used with possibly larger sample sizes and different time periods.

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