

THE INFLUENCE OF TAX AVOIDANCE, TUNNELING INCENTIVES AND BONUS MECHANISM ON TRANSFER PRICING WITH LEVERAGE AS A MODERATION VARIABLE

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Abstract

Purpose - This research aims to determine the effect of tax avoidance, tunneling incentives, and bonus mechanisms on transfer pricing with Leverage as a moderating variable in manufacturing companies in the consumer goods industry sector, which is listed on the Indonesia Stock Exchange in 2016-2021

Design/methodology/approach - Purposive sampling was used for sample selection, and 13 companies were selected for a total of 51 research data. Multiple linear regression and MRA were used for analysis with SPSS version 25 software.

Finding - The results of this study indicate that tax avoidance has a significant positive effect, and tunneling incentives and bonus mechanisms have a significant negative effect on transfer pricing. Meanwhile, Leverage cannot weaken the impact of tax avoidance, tunneling incentives, and bonus mechanisms on transfer pricing.

Originality - The originality of this research is to include a moderating variable, namely Leverage.

Keyword - Tax Avoidance, Tunneling Incentive, Bonus Mechanism, Transfer Pricing, Leverage

Paper Type – Research Paper



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The introduction

Globalization is an unstoppable trend, and the era of globalization has brought many benefits, including economic benefits and information and communication technology, which are characterized by the expansion of Internet users. International trade, which focuses on goods, services, and capital, tends to be global. A country's borders are increasingly disappearing, and with Internet facilities, trade can take place without borders. The emergence of many multinational companies shows that economic globalization is increasingly developing, which can lead to increasingly fierce business competition (Influence et al., 2016). In practice, the development of multinational companies is often used and abused to avoid taxes because of the differences in tax rates that apply in each country and it is also used to reduce tax payments through transfer pricing (Noviastika F et al., 2016).

Transfer pricing is a company's policy to determine the transfer price of a transaction in the form of goods, services, intangible assets, or financial transactions made by the company to subsidiaries or related parties located in Indonesia or abroad (Herawaty & Anne, 2017). Transfer pricing has become an interesting global issue among tax authorities and is still difficult for the government to resolve due to differences in interests between business actors and tax offices in various countries. In multinational companies, transfer pricing is used as a strategy to avoid tax collection. The practice of transfer pricing results in potential state revenues from the tax sector shrinking or even disappearing. While taxes are the main source of state income, even in some developing countries, taxes contribute more than 80% of total income (Maftuchan, 2013).

Interestingly, this transfer pricing phenomenon can be seen from the results of the survey conducted by Global MNC Tax Complexities in 2020:

Table 1
Complexity Scale, By Tax Issue

No	Tax Issue	Complexity
1	Transfer Pricing	0.60
2	Statutory Corporate Tax Rate	0.34
3	Royalties	0.43
4	Loss Offsets	0.41
5	Investment Incentives	0.47
6	Interest & Thin Capitalization	0.45
7	Group Treatment	0.39
8	General Anti Avoidance Rule	0.49
9	Dividends	0.42
10	Depreciation & Amortization	0.40
11	Corporate Reorganization	0.48
12	Controlled Foreign Corporation	0.49
13	Capital Gain and Losses	0.42
14	Alternative Minimum Tax	0.30
15	Added Local and Industry special taxes	0.34

Source: Global Transfer Pricing Survey (2020)

The survey results above show that transfer pricing ranks at the top of the complexity scale among fifteen tax problems. As happened in 2016 and 2018, transfer pricing is one of the most important tax issues and is considered the most complex tax issue today. Transfer pricing is ranked as the most complex area of tax laws/regulations by 69 of 110 countries (www.bdo.global, 2021). Many countries have introduced transfer pricing regulations. However, transfer pricing can be a problem or an opportunity for multinational companies to pursue high profits (Khotimah, 2018).

In 2016, Direktorat Jenderal Pajak stated that as many as 2,00 Foreign Capital (PMA) companies operating in Indonesia do not pay PPh 25 and 29 within ten years due to losses. The average number of these companies should pay taxes of at least IDR 25 billion a year. As a result, Indonesia suffered a loss of IDR 500 trillion. This tax avoidance practice is carried out using transfer pricing or transferring profits or taxable profits from Indonesia to other countries (Deny, 2016). Based on the 2018 Mutual Agreement Procedure (MAP) Statistics, the OECD stated that the number of transfer pricing disputes in 2018 increased by 20%, which is relatively higher than other cases, which only increased by around 10%. Then, on average, resolving transfer pricing disputes takes more time, namely around 33 months or longer than the previous year (Suwiknyo, 2019).

This research examines factors influencing a company's decision to carry out transfer pricing, such as tax avoidance, tunneling incentives, bonus mechanisms, and Leverage. Tax avoidance is tax avoidance carried out legally to maximize company profits (Sa'diah & Afriyenti, 2021). Tax avoidance affects transfer pricing because a larger tax burden can reduce company profits, so companies are triggered to carry out transfer pricing to reduce this burden. Tunneling incentives are internal asset transfer activities that profit from leaving the company for the benefit of the majority shareholder (Khotimah, 2018). Tunneling incentives can influence transfer pricing because companies with financial resources will transfer their assets to members or subsidiaries under their control to reduce expenses, which can reduce company profits and decrease dividends paid (Marfuah & Azizah, 2014). The bonus mechanism is an award given by company owners to managers if company targets are met (Lilik Purwanti, 2010). The bonus mechanism can influence transfer pricing because, to get high bonuses, managers will use various methods to maximize company profits, including transfer pricing (Ika Nurjanah et al., 2016).

This research uses Leverage as a moderating variable to explain the inconsistent results of previous research. More specifically, this research suspects that Leverage influences the relationship between tax avoidance, tunneling incentives, and bonus mechanisms with transfer pricing. Leverage is used to obtain sources of funds for the company. Leverage can show how much debt is used to finance company assets. Leverage can also be used as a control or monitoring mechanism for management within the company. Companies with a high level of Leverage will explain in detail the information needed by creditors to dispel their doubts (Ardyansah, 2014). Research by Rosita (2020), Aurinda (2018), and Deanti (2017) shows that Leverage has a significant negative effect on transfer pricing. These results differ from the research conducted by Rezky & Fachrizal (2018) and Pratiwi (2018), which showed that Leverage had a positive effect on transfer pricing.

Research conducted by Devi and Suryarini (2020), Saraswati and Sujana (2017), and Noviasatika F et al. (2016) shows that tax avoidance has a significant positive effect on transfer pricing. The opposite results shown by Lutfia and Sukirman (2021), Maulida and Wahyudin (2020), and Hidayat et al. (2019) show that tax avoidance has a significant negative effect. Research related to tunneling incentives conducted by Lutfia and Sukirman (2021), Yulianti & Rachmawati (2019), and Saraswati and Sujana (2017) shows that tunneling incentives have a significant positive effect on transfer pricing. The opposite results were shown by Rahmawati Mulyani (2020), Tania & Kurniawan (2019), and Rosa et al. (2017), who stated that tunneling incentives had a significant negative effect on transfer pricing. Research related to bonus mechanisms conducted by Fitri et al. (2019), Saifudin & Putri (2018), and Hartati et al. (2015) shows that the bonus mechanism has a significant positive effect on transfer pricing. The opposite results were shown by Sari and Puryandani (2019) and Tania and Kurniawan (2019), who stated that the bonus mechanism significantly negatively affected transfer pricing.

This research aims to analyze the influence of tax avoidance variables, tunneling incentives, and bonus mechanisms on transfer pricing and to prove that Leverage can moderate manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2016-2021. The originality of this research is to include a moderating variable, namely Leverage. In previous research, Leverage was used as an independent variable, but in this research, Leverage is used as a moderating variable.

Theoretical Framework and Hypothesis

Agency Theory

Agency theory describes a model of the relationship between the principal and the agent. Jensen & Meckling (1976) defined agency theory as a contract in which one or more people (principal) order another person (agent) to perform a service on behalf of the principal and give authority to the agent to make the best decisions for the principal. In companies whose capital structure is in the form of shares, shareholders act as principals and the board of directors as their agents. Shareholders employ a board of directors to act in the interests of the principal, in this case, the shareholders. Agency theory explains agency problems that arise when there are differences in information between owners and management with different goals. Agent wants personal benefits such as compensation for the results of his work, while the principal will maximize the maximum return on his investment (Saraswati & Sujana, 2017).

Political Accounting Theory

Ross L. Watts & Jerold L. Zimmerman (1990) explain that positive accounting theory reveals why accounting policies are a problem for companies and parties interested in financial reports to predict policies accounting that the company wants to choose under certain conditions. Three hypotheses were generated: the bonus plan hypothesis, the debt agreement hypothesis (debt covenant hypothesis), and the political cost hypothesis. Management can use accounting procedures that suit the company's particular circumstances.

The Effect of Tax Avoidance on Transfer Pricing

Taxes are considered a burden for a company; the greater the tax burden, the smaller the profits the company will gain. Meanwhile, the company wants the greatest possible profit (Pratama Septiyani et al., 2018). To get high profits, companies will avoid taxes, one of which is through transfer practices pricing. According to agency theory, management uses transfer pricing more than the fair price principle (Herawaty & Anne, 2017). Agency conflicts will lead to conflicts between management and owners in the form of information gaps. Management uses this information to carry out transfer pricing actions. Research conducted by Rosa et al. (2020) and Pamungkas and Nurcahyo (2018) shows that tax avoidance significantly affects transfer pricing. Based on the description above, the first hypothesis is formed:

H₁: Tax avoidance has a significant positive effect on transfer pricing.

The Effect of Tunneling Incentives on Transfer Pricing

Tunneling incentive is the behavior of management or controlling shareholders to transfer company assets and profits for their benefit, but the costs are passed on to non-controlling shareholders (Rahayu et al., 2020). Based on agency theory, there is a difference in information between managers and shareholders; managers have extensive information about the company. Concentrated ownership will give rise to agency problems that arise, namely tunneling between majority shareholders and minority shareholders. One form of tunneling incentive is transfer pricing, which is the temporary transfer of assets to subsidiaries or other related parties. Research conducted by Saraswati Sujana (2017) and Yulianti and Rachmawati (2019) shows that tunneling incentives significantly positively affect transfer pricing. Based on the description above, a second hypothesis can be formed:

H₂: Tunneling incentives have a significant positive effect on transfer pricing.

The Influence of Bonus Mechanisms on Transfer Pricing

In accounting strategy, bonus mechanisms are used to maximize directors' compensation by increasing overall company profits (Hartati et al., 2015). Saraswati & Sujana, 2017 stated that company owners usually use a bonus system to improve employee performance so that the profits generated increase yearly. To increase company profits, directors use various methods, one of which is transfer pricing. Based on positive accounting theory (bonus plan hypothesis) states that managers are very dependent on the bonuses in the payroll system; they tend to choose accounting methods that can maximize their salary. Suppose the reward depends on the bonus being reported on net income. In that case, increasing the bonus in that period may be possible by reporting the highest possible net income (Ross et al. Zimmerman, 1990). Research conducted by Saifudin & Putri (2018) and Fitri, Hidayat, Arsono (2019) shows that the bonus mechanism significantly positively affects transfer pricing. Based on the description above, the third hypothesis is formed :

H₃: The bonus mechanism has a significant positive effect on transfer pricing.

Leverage moderates the relationship between Tax Avoidance and Transfer Pricing

Tax avoidance is a tax avoidance scheme that exploits loopholes in tax provisions without violating the laws established in a country to minimize the tax burden that will be paid. In general, transfer pricing involves transferring income and costs within a company that has a special relationship to a company in another country with a different tax rate to reduce the amount of tax paid (Hartati et al., 2015). Agency theory explains a conflict of interest between the agent and the principal. Therefore, the principal looks for a way to reduce conflict by supervising agents. Leverage reduces agency conflicts by using external parties to supervise the company (Friend & Lang, 1988). Herdinata (2014) states that Leverage can be used to control the company through creditors. This condition will make the principal experience limitations in tax avoidance through transfer pricing. Therefore, it can be said that Leverage can moderate tax avoidance regarding transfer pricing. Research conducted by Lutfia and Sukirman (2021) and Devi & Suryarini (2020) shows that Leverage can moderate transfer pricing tax avoidance. Based on the description above, a hypothesis can be formed :

H4: Leverage can moderate the effect of tax avoidance on transfer pricing.

Leverage moderates the relationship between Tunneling Incentives and Transfer Pricing

Tunneling incentive is the behavior of management or controlling shareholders to transfer company assets or profits for their benefit, but the costs are borne by non-controlling shareholders (Rahayu et al., 2020). Therefore, non-controlling shareholders feel disadvantaged. Based on agency theory, there are differences in interests between majority and minority shareholders, which causes agency problems. The majority shareholder has the authority to supervise management because the majority shareholder has a higher position and better access to information. This is used to abuse their right to control their prosperity. According to Margaretha & Asmariyani (2009), one way that can be done to reduce agency costs is by increasing funding with debt, one of which is by having Leverage in the company. Research conducted by Lutfia and Sukirman (2021) shows that Leverage can moderate the effect of tunneling incentives on transfer pricing. Based on the description above, a fifth hypothesis can be formed :

H5: Leverage can moderate the effect of tunneling incentives on transfer pricing.

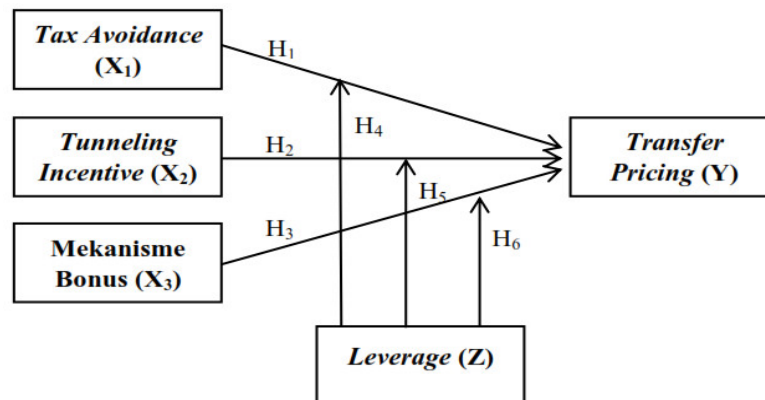
Leverage moderates the relationship between the Bonus Mechanism and Transfer Pricing.

The bonus mechanism is additional compensation or appreciation given to employees for achieving the goals that the company has targeted. Positive accounting theory states that managers depend on bonuses in their payroll system and tend to choose accounting methods that can maximize their salaries (Ross L. Watts & Jerold L. Zimmerman, 1990). Providing bonuses based on profits will make managers take action to regulate and manipulate profits to increase the bonuses received (Hartati et al., 2015); this can be done with transfer pricing. According to Barnhart & Rosenstein (1998), Leverage is an external corporate governance mechanism that is useful for carrying out supervisory activities. Leveraged supervisory activities have more obligations to fulfill

the information required by creditors. This can be used to control management activities in implementing bonus mechanisms using transfer pricing. Research conducted by Lutfia and Sukirman (2021) shows that Leverage can moderate the influence of the bonus mechanism on transfer pricing. Based on the description above, the sixth hypothesis can be formed :

H₆: Leverage can moderate the influence of the bonus mechanism on transfer pricing.

Figure 1. Research Model



Research Methodology

This study is designed to explain the effect of variable *tax avoidance*, *tunneling incentives*, bonus mechanisms, *transfer pricing*, and *Leverage*. This study used quantitative methods by testing hypotheses, using samples that reflect the population using secondary data. This research uses a secondary type of data that analyzes data in the form of company financial statements (numbers). This research was carried out by analyzing the financial statements of manufacturing companies in the consumer goods industry sub-sector listed on the Indonesia Stock Exchange in 2016-2021 with several research variables.

This study uses a *purposive sampling method*, namely the determination of samples based on the suitability of certain characteristics and criteria, namely (1) financial reports of the consumer goods industry sub-sector listed on the Indonesia Stock Exchange in 2016- 2021. (2) Financial Report, which contains complete research variables. (3) The financial statements shall not suffer consecutive losses during the year of study. (4) companies that are controlled by a foreign company with a share ownership percentage of 20% or more. This study's sample of companies successfully obtained consisted of 51 financial statements.

Definition and Measurement of Variables

The dependent variable in this measurement is transfer pricing, while the independent variable is tax avoidance, tunneling incentives, and bonus mechanisms. Meanwhile, the moderating variable in this research is Leverage. This research uses descriptive statistical analysis techniques, multiple regression, and moderated regression analysis. The regression model in this research is as follows:

$$Y = \sigma + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \dots\dots\dots$$

(model I)

$$Y = \sigma + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + \beta_5. (X_1 Z) + \beta_6. (X_2 Z) + \beta_7. (X_3 Z) + e \dots\dots \text{ (model II)}$$

Information:

Y: Transfer pricing

X1: Tax Avoidance σ : Constant

X2: Tunneling Incentive

X3: Bonus Mechanism

Z: Leverage

β : Coefficient

e: Confounding factor or error term

Dependent Variable

The dependent variable used in this research is transfer pricing. Herawaty & Anne, (2017) define transfer pricing as a company's policy in determining the transfer price of a transaction in the form of goods, services, intangible assets, or transactions financial services carried out by the company to subsidiaries or parties with special relationships located in Indonesia or abroad. In this research, transfer pricing is formulated as follows:

$$\text{Transfer pricing} = \frac{\text{Total Receivables from Related Parties}}{\text{Total Receivables}}$$

Independent Variable

The independent variables used in this research are tax avoidance, tunneling incentives, and bonus mechanisms. The following is an explanation of each independent variable used in this research:

1. Tax Avoidance

Tax avoidance is a tax avoidance scheme that exploits loopholes in tax provisions without violating the laws established in a country to minimize the tax burden that the company will pay (Sa'diah & Afriyenti, 2021). In this research, tax avoidance is formulated as follows:

$$\text{ETR} = \frac{\text{Tax Expense}}{\text{Income before Tax}}$$

2. Tunneling Incentives

Tunneling incentive is an asset transfer activity for outbound profit companies that benefits majority shareholders by passing the costs on to minority shareholders (Khotimah, 2018).

In this research, the tunneling incentive is formulated as follows:

$$\text{Tunneling incentives} = \frac{\text{Largest Number of Shareholdings}}{\text{Total Shares}}$$

3. Bonus Mechanism

The bonus mechanism is an award given by company owners to managers if company targets are met (Lilik Purwanti, 2010). In this research, the bonus mechanism is formulated as follows:

$$ITRENDLB = \frac{Net\ Profit\ t}{Net\ Profit\ t-1}$$

Moderation Variable

The moderating variable used in this research is Leverage. Leverage is The ratio used to measure how much of a company's assets come from debt or capital; with this ratio, it is known the company's position and fixed obligations to other parties, as well as the balance of the value of fixed assets with existing capital (Rahayu et al., 2020). In this research, Leverage is formulated as follows:

$$DER = \frac{Total\ Debt}{Total\ Equity}$$

Results and Discussion

Descriptive statistics provide an overview or description of data seen from the average value (mean), standard deviation, minimum value, and maximum value (Ghozali, 2018, p. 19). The variables in this research are the dependent, independent, and moderating variables. The dependent variable is transfer pricing. The independent variables are tax avoidance, tunneling incentives, and bonus mechanisms. Meanwhile, the moderating variable is Leverage. The descriptive statistical results of the variables in this study are presented in the following table:

Table 2
Descriptive statistical test results

	N	Minimum	Maximum	Mean	Std. Deviation
TA	51	,1608	,3810	,262225	,0496839
TI	51	,2500	,9879	,630037	,2559476
MB	51	,0832	5,4854	1,167788	,7387201
TP	51	,0003	,9547	,178369	,2678968
L	51	,1714	1,5279	,640451	,3770331
Valid N (listwise)	51				

Regression Analysis (Model 1)

Research hypothesis testing was carried out using regression analysis techniques. Table 3 presents the results of the regression test:

Table 3
Individual Parameter Significance Test Results (t Statistical Test)

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	,014	,198			,069	,945
TA	1,960	,754	,364		2,599	,012
TI	-,322	,149	-,308		-2,155	,036
MK	-,125	,051	-,346		-2,437	,019

a. Dependent Variable: TP

Based on the table above, several results were obtained, namely that the test results for the tax avoidance (TA) variable had a calculated t value of 2.599, a probability level significance of 0.012 is smaller than 0.05, and a beta coefficient value of 1.960. This shows that hypothesis H1 is accepted, so it can be concluded that tax avoidance significantly positively affects transfer pricing.

The test results for the tunneling incentive (TI) variable have a calculated t-value of -2.155, a significance probability level of 0.036, which is smaller than 0.05, and a beta coefficient value of -0.322. This shows that the tunneling incentive has a significant negative effect. This means that H2 is rejected because the direction does not match what was hypothesized. So, it can be concluded that tunneling incentives do not significantly affect transfer pricing.

The test results for the bonus mechanism variable (MB) have a calculated t-value of -2.437, a significance probability level of 0.019, smaller than 0.05, and a beta coefficient value of -0.125. This shows that the bonus mechanism has a significant negative effect, meaning that H3 is rejected because the direction is not what was hypothesized. So, it can be concluded that the bonus mechanism does not significantly affect transfer pricing.

Table 4
F Statistical Test Result

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,681	3	,227	3,672	,019 ^b
	Residual	2,907	47	,062		
	Total	3,588	50			

a. Dependent Variable: TP

b. Predictors: (Constant), MK, TA, TI

Based on Table 4 above, it can be seen that the calculated F value is 3.672, and the significance value is 0.019. If the significance value is $0.019 < 0.05$, then it can be concluded that the combination of independent variables of tax avoidance, tunneling incentives, and bonus mechanisms influence transfer pricing. These results show that the model is in a good category and passes the goodness-of-fit test requirements (Ghozali, 2018, p. 97).

Regression Analysis (Model 2)

Table 5
Individual Parameter Significance Test Results (t Statistical Test)

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	1,150	,519			2,215	,032
TA	1,834	1,907	,340		,962	,342
TI	-,987	,341	-,943		-2,890	,006
MK	-,595	,177	-1,640		-3,362	,002
TA_L	-,069	2,420	-,028		-,028	,977
TI_L	,894	,495	,976		1,806	,078
MK_L	,565	,200	1,724		2,828	,007

a. Dependent Variable: TP

Based on Table 5, several results were obtained. The test results for the interaction variable between Leverage and tax avoidance (TA_L) had a calculated t value of -0.028, a level of significance probability of 0.977 greater than the value of 0.05, and a beta coefficient value of -0.069. This shows that H4 is rejected, so it can be concluded that Leverage cannot moderate the effect of tax avoidance on transfer pricing.

Test results for the interaction variable between Leverage and tunneling incentive (TI_L) has a calculated t-value of 1.806 with a significance probability level of 0.078, greater than 0.05, and a beta coefficient value of 0.894. This shows that H5 is rejected, so it can be concluded that Leverage cannot moderate the effect of tunneling incentives on transfer pricing.

Meanwhile, the test results for the interaction variable between Leverage and the bonus mechanism (MB_L) have a calculated t-value of 2.828 with a significance probability level of 0.007, smaller than the value of 0.05 and the beta coefficient value of 0.565. This shows that H6 is accepted, so it can be concluded that Leverage can moderate the influence of the bonus mechanism on transfer pricing.

Table 6
F Statistical Test Result

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,450	7	,207	4,163	,001 ^b
	Residual	2,139	43	,050		
	Total	3,588	50			

a. Dependent Variable: TP
b. Predictors: (Constant), MK_L, TA, TI_L, TI, MK, L, TA_L

Based on Table 6 above, it can be seen that the calculated F value is 4.163, and the significance value is 0.001. If the significance value is $0.001 < 0.05$, then it can be concluded that the combination of variables consisting of tax avoidance, tunneling incentives, bonus mechanisms, and leverage together influence transfer pricing. These results show that the model is in a good category and passes the goodness-of-fit test requirements (Ghozali, 2018, p. 97).

The Effect of Tax Avoidance on Transfer Pricing

The results of the significance test of the tax avoidance variable on transfer pricing show that hypothesis H1 is accepted, so it can be concluded that tax avoidance has a significant positive effect on transfer pricing. The higher the manufacturing companies in the industrial sub-sector, if consumer goods carry out tax avoidance, the higher the company's tax avoidance will be carried out transfer pricing. Transfer pricing is still a means of tax avoidance by companies and places ETR as the benchmark. In other words, the higher the tax burden that a company has to pay, the more active the company will be in avoiding large taxes, one of which is by implementing transfer pricing (Tiwa et al., 2017).

This test's results align with agency theory, which explains the differences in interests between agents and principals. Company owners (agents) try to take

advantage of tax regulations between countries to carry out transfer pricing by minimizing the existing tax burden. At the same time, the government (principal) wants companies to pay taxes according to the provisions of tax regulations and the amount of tax that must be paid (Mayantya, 2018). Ardyansah (2014) explains that differences in interests between agents and principals will influence company tax policies. Companies as profit-oriented entities will try to reduce their tax payments to achieve maximum profits. Therefore, companies avoid taxes through transfer pricing to gain high profits and reduce the obligation to pay corporate taxes (Gupta, 2012).

The research results of Noviaastika F. et al. (2016) and Saraswati and Sujana (2017), Diah et al. (2020) show that tax avoidance has a significant positive impact on transfer pricing. Meanwhile, the results of this study are inversely proportional to Maulida and Wahyudin (2020), Hidayat et al. (2019), and Mei Dewi Lutfia and Sukirman (2021), which show that tax avoidance has a significant negative effect on transfer pricing.

The Effect of Tunneling Incentives on Transfer Pricing

The test results of the influence of tunneling incentives on transfer pricing show that tunneling incentives do not affect transfer pricing. The results of this research state that tunneling incentives have a significant negative effect on transfer pricing. It means more and more. The higher the company's tunneling incentives, the more transfer actions will be reduced pricing carried out by the company. This is not by the second hypothesis, which states that tunneling incentives significantly affect transfer pricing. The high share ownership owned by the majority shareholder can reduce the company's transfer pricing measures. Based on previous research, several reasons cause tunneling incentives to have a negative effect on transfer pricing, namely the existence of agreements or agreements within the company, both operations, and investments, which must be discussed with other shareholders, namely between majority shareholders and minority shareholders (Wijaya & Amalia, 2020). The majority shareholder uses his control rights to order management to reduce transfer pricing measures (Tan & Stephanus, 2023). When a company carries out transfer pricing, it is feared that it will reduce the value of the company. When the company's value falls, the majority shareholder is the party who feels the most negative impact from the decline in company value (Mulyani et al., 2020).

This research results align with agency theory, which states that majority shareholders are more powerful because they have more company information than minority shareholders. The results of this research are in line with the research results of Tania and Kurniawan (2019), and Rahmawati and Mulyani (2020), Darma (2020), which show that tunneling incentives have a significant negative effect on transfer pricing. However, in contrast to research conducted by Saraswati & Sujana (2017), Yulianti & Rachmawati (2019), Mei Dewi Lutfia and Sukirman (2021), the results show that tunneling incentives have a significant positive effect on transfer pricing.

The Influence of Bonus Mechanisms on Transfer Pricing

The test results of the influence of the bonus mechanism on transfer pricing show that the bonus mechanism does not affect transfer pricing. The results of this research state that the bonus mechanism significantly negatively affects transfer pricing. This

means that if the company implements a bonus mechanism, transfer pricing actions will be reduced. This is not the third hypothesis, which states that the bonus mechanism significantly affects transfer pricing. Based on previous research, there are several reasons why the bonus mechanism has a negative effect on transfer pricing. Namely, the company has a good control system where all activities carried out must be according to applicable company regulations and supervised by committees so that no fraud is committed to maximizing company profits to get large bonuses, and if the company carries out transfer pricing it will make the company management appear to have poor performance so that it can reducing bonus receipts for managers (Ayshinta et al., 2019).

The results of this research are based on the positive accounting theory, which explains that companies tend to choose accounting procedures that can increase profits in the current period. Results This research is in line with the research results of Sari and Puryandani (2019), and Tania and Kurniawan (2019), Anggraini Novi (2019) shows the results that the bonus mechanism has a significant negative effect on transfer pricing. Meanwhile, the results of this study are inversely proportional to Saifudin & Putri (2018), and Fitri, Hidayat, Arsono (2019) show the results that the bonus mechanism has a significant positive effect on transfer pricing.

Leverage can moderate the effect of Tax Avoidance on Transfer Pricing.

The results of the fourth hypothesis test show that Leverage cannot moderate the effect of tax avoidance on transfer pricing. So, it can be concluded that the results of the fourth hypothesis in this study are rejected. In this research, Leverage is known to be able to create a monitoring mechanism through creditors who provide debt to companies that stated that they were unable to moderate the relationship between tax avoidance and transfer pricing. This matter shows that the level of Leverage does not completely have a role in the actual company tax situation, which should be able to minimize the burden of taxes on companies (Soerzawa et al., 2018).

This research does not support agency theory, which explains that Leverage creates a control mechanism (supervision) in the company's operational performance because the company must provide detailed information to creditors. The results of this test can be explained through positive accounting theory, where the closer a company is to debt (debt covenant hypothesis), the greater the possibility that company managers will choose accounting policies that will increase company profits. The results of this research align with research by Devi and Suryarini (2020) and Lutfia and Sukirman (2021), which shows that Leverage cannot moderate the effect of tax avoidance on transfer pricing.

Leverage can moderate the influence of Tunneling Incentives on Transfer Pricing.

The results of the fifth hypothesis test show that Leverage cannot moderate the influence of tunneling incentives on transfer pricing. So, it can be concluded that the results of the fifth hypothesis in this study are rejected. In this research, Leverage is known to be able to create a monitoring mechanism through which creditors provide debt to the company states

, but it is unable to moderate the relationship between tunneling incentives and transfer pricing. This shows that the level of Leverage does not completely have a role in the company's actual share ownership, which should be able to minimize tunneling in the company (Soerzawa et al., 2018).

This research does not support agency theory, which explains that Leverage creates a control mechanism (supervision) for the company's operational performance because the company must provide detailed information to creditors. This matter is possible because managers keep negative information about the company's debt policy secret so that investors can only see healthy financial information to determine decisions in analyzing company performance. The results of this test can be explained through positive accounting theory, where the closer a company is to debt (debt covenant hypothesis), the greater the possibility that company managers will choose accounting policies that will increase company profits.

Leverage can moderate the influence of the Bonus Mechanism on Transfer Pricing

The results of the sixth hypothesis test show that Leverage can moderate the influence bonus mechanism for transfer pricing, so it can be concluded that the results of the sixth hypothesis in this research are accepted. The coefficient value is 0.565 in the positive direction, meaning Leverage can strengthen the influence of the bonus mechanism on transfer pricing. In this research, Leverage can strengthen the relationship between bonus mechanisms and transfer pricing. This is because the company has a good control system, where all activities carried out must comply with applicable company regulations (Ayshinta et al., 2019). Companies with high Leverage can supervise management activities so that there is no fraud committed by management to maximize company profits and obtain large bonuses. Leverage can be said to be a monitoring mechanism through which creditors provide debt to the company. So, if Leverage is high, management activities can be controlled. This reduces management fraud to maximize profits and obtain high bonuses, which can ultimately reduce transfer pricing actions (Lutfia & Sukirman, 2021).

The results of this research are in line with agency theory, which explains that higher company leverage creates a control (supervision) mechanism in the company's operational performance because the company must provide detailed information to creditors.

Conclusions and Suggestions

Based on the discussion of research results entitled The Influence of tax avoidance, Tunneling Incentives, and Bonus Mechanisms on Transfer Pricing with Leverage as a Moderating Variable, which is a study of manufacturing companies in the consumer goods industry sector listed on the IDX in 2016-2021, the conclusion can be drawn that tax avoidance has a positive effect significant to transfer pricing, tunneling incentives do not have a significant positive effect on transfer pricing, and the bonus mechanism does not have a significant positive effect on transfer pricing. Leverage cannot moderate the influence of tax avoidance on transfer pricing. Leverage cannot moderate the influence of tunneling incentives on transfer pricing, but It can moderate the influence of the bonus mechanism.

In this research, some limitations can be taken into consideration by future researchers to be able to obtain better results, including the number of research samples is relatively limited, only 51 samples with a research period during 2016- 2021 (in manufacturing companies in the consumer goods industry sector only). This research has a relatively small adjusted R square value of only 13.8%. Suggestions for further research are that research can use other populations besides manufacturing companies in the consumer goods sector, so it is hoped that the number of samples can increase. Further research can use other variables besides tunneling incentive variables, bonus mechanisms, and Leverage because there are still many independent variables that could influence decisions within companies in carrying out transfer pricing, and further research can use different time frames so that they can reflect the latest trends in transfer pricing.

The implications of this research regard the influence of tax avoidance, tunneling incentives, and bonus mechanisms on transfer pricing with Leverage as a moderating variable. Transfer pricing is often carried out by companies that operate in the manufacturing sector and have quite substantial internal links with parent companies or affiliates in foreign countries. Indonesian companies are used as manufacturing companies that supply overseas markets. Because of this, companies can be more careful when carrying out transfer pricing to avoid tax administration sanctions in Indonesia. Investors will be more careful in making decisions to invest in companies that do transfer pricing practices. The government can make stricter regulations regarding transfer pricing transactions.

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