THE INFLUENCE OF TAXES, DEBT COVENANT, TUNNELING INCENTIVES AND EXCHANGE RATE ON TRANSFER PRICING DECISIONS
(Empirical Study of Multinational Companies Listed on the Indonesian Stock Exchange for the 2019 – 2022 Period)

Wahyu Listiawati Dewi [1], Ika Sari [2] and Septyana Mubarakah [3]

Universitas Mercu Buana, Indonesia

Abstract: This research aims to determine the influence of taxes, debt covenants, tunneling incentives, and exchange rates on transfer pricing decisions in Multinational Corporations listed on the Indonesia Stock Exchange during the period from 2019 - 2022. The research employs secondary data by collecting financial information from multinational corporations listed on the Indonesia Stock Exchange, with a total population of 40 companies. The sample selection for this study uses purposive sampling, where samples are chosen based on specific criteria, resulting in the collection of 120 financial reports from 30 multinational corporations during the period from 2019 - 2022. The analytical method involves quantitative data analysis through multiple linear regression testing. The research results show that the Debt Covenant has a significant effect on Transfer Pricing Decisions, while Tax, Tunneling Incentive and Exchange Rates do not have a significant effect on Transfer Pricing Decisions.

Keywords: Tax, Debt Covenant, Tunneling Incentive, Exchange Rate and Transfer Pricing

I. INTRODUCTION

According to Pohan (2018: 196), transfer pricing is the price calculated for the transfer of goods/services or other intangible assets from one company to another company that has a special relationship, under conditions based on the value of the arm's length price principle.

According to Law Number 16 of 2009 concerning the Fourth Amendment to Law Number 6 of 1983 concerning general provisions and procedures for taxation in Article 1 Paragraph 1, Tax is a mandatory contribution to the state owed by an individual or entity that is coercive based on law. law, without receiving direct compensation and used for state needs for the greatest prosperity of the people.

Debt Covenant or long-term liabilities according to Kieso, et al (2008) are all company obligations that are due in more than one accounting period, whose payments will be made using sources that are not classified as current assets.

Tunneling is the transfer of company assets from a subsidiary in one country to a subsidiary or parent company in another country, or from a company to a controlling shareholder for the purpose of enriching the controlling shareholder (Aharony, J. & Yuan, 2010).

According to Sukirno (2016:397) in his book, the exchange rate or often called the exchange rate is the price of a currency against foreign currencies.

Transfer pricing can be a problem for companies, namely regarding import duties, taxes and internal management problems. Transfer pricing can reduce state tax revenues because companies tend to shift their tax burden to countries with lower tax rates and companies try to minimize their burden, which in this case includes minimizing tax payments (Felentina, 2023).

Therefore, the purpose of this scientific writing is to provide a general overview of the influence of Tax, Debt Covenant, Tunneling Incentive and Exchange Rates on companies in making transfer pricing decisions.

Di perusahaan Multinasional. Oleh karena itu, rumusan masalah pada penelitian ini adalah sebagai berikut:

1. Does tax influence transfer pricing decisions in multinational companies??
2. Does debt covenant influence transfer pricing decisions in multinational companies?
3. Does tunneling incentives influence transfer pricing decisions in multinational companies?
4. Does the exchange rate influence transfer pricing decisions in multinational companies?

II. RESEARCH METHODS

The population and sample in this research are 40 multinational companies listed on the Indonesia Stock Exchange (BEI) for the 2019 - 2022 period. The data used in this research uses financial report data which can be accessed via the official website of the Indonesia Stock Exchange. (BEI) and sample collection techniques. used in this research was determined using a purposive sampling approach, namely determining the sample using certain considerations that have been adjusted to the research objectives or problems. With the following criteria:

1. Multinational Companies listed on the Indonesia Stock Exchange (BEI) 2019 – 2022
2. Multinational Companies that report financial reports during the research period (2019 – 2022)
3. Multinational Companies listed on the Indonesia Stock Exchange (BEI) which have shareholders with an ownership percentage of 25% or more.
4. Multinational Companies listed on the Indonesia Stock Exchange (BEI) that have receivable transactions with related parties
5. Multinational Companies listed on the Indonesia Stock Exchange (BEI) which have Profit/Loss Exchange Rate Difference data

The data collection technique used in this research is documentation techniques, namely secondary data in the form of annual financial reports of companies listed on the Indonesia Stock Exchange in 2019 - 2022. Data analysis used in this research is by using quantitative data. And the analytical tool used in this research is the SPSS version 26 program.

III. RESULTS AND DISCUSSION

Statistic Descriptive

Tabel 1. Descriptive Statistics Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ETR	120	-.487621	2.900906	.2694252	.3260509
DER	120	-4.16811	3.177232	.7803510	.8842181
TUN	120	.101860	.925000	.5895192	.1949990
EXCHANGE	120	-.722757	3.730899	.0801492	.4385740
RPT	120	.001003	3.409144	.3230749	.4668920
Valid N (listwise)	120				

Based on table 4.1, N 120 shows the number of samples used in this research, namely 120 samples

a. The results of descriptive statistical analysis on the Tax variable have a minimum value of -0.487, a maximum value of 2.901. The standard deviation value shows a value of 0.3260 which is greater than the average value of 0.2694 or 26.94%. This shows that the tax variables in this study are distributed heterogeneously (the distribution is not good).
b. The results of descriptive statistical analysis on the Debt Covenant variable have a minimum value of -4.168, a

maximum value of 3,177. The standard deviation value shows a value of 0.884 which is greater than the average value of 0.780 or 78.03%. This shows that the debt covenant variable in this study is distributed heterogeneously (the distribution is not good).

c. The results of descriptive statistical analysis on the Tunneling Incentive variable have a minimum value of 0.1018, a maximum value of 0.925. The standard deviation value shows a value of 0.194 which is smaller than the average value of 0.5895 or 58.95%. This shows that the tunneling incentive variable in this study is distributed homogeneously (good distribution)

d. The results of descriptive statistical analysis on the Exchange Rate variable have a minimum value of -0.7227, a maximum value of 3.7308. The standard deviation value shows a value of 0.4385 which is greater than the average value of 0.0801 or 8.01%. This shows that the Exchange Rate variable in this study is distributed heterogeneously (the distribution is not good)

The results of descriptive statistical analysis on the Transfer Pricing variable have a minimum value of 0.001, a maximum value of 3.409. The standard deviation value shows a value of 0.4668 which is greater than the average value of 0.3230 or 32.30%. This shows that the Transfer Pricing variable in this study is distributed heterogeneously (the distribution is not good).

Classic hypothesis test

Thel classic hypothesis test analyzels then state of the existing data to determine which analytical model should bel used. Thel classic hypothesis test performed is as follows:

Tabel 2. Normal Itas test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		120
Normal Parameters[a,b]	Mean	.2923408
	Std. Deviation	13.92624169
Most Extreme Differences	Absolute	.080
	Positive	.080
	Negative	-.042
Test Statistic		.080
Asymp. Sig. (2-tailed)		.055[c]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Based on Table 2 bellow, then residual values of all regression models show a normal distribution, because then significance level indicates a significance above 0.05.

Multicollinearity test

The multicollinearity test can be detected by the tolerance value and Variance Inflation Factori (VIF) value. Tolerance measures the variability of other independent variables. So, a low tolerance value is the same as a high VIF. A normal regression model has a tolerance value of more than 0.10 and a Variance Inflation Factor (VIF) value of less than 10.

Table 3. Multicollinearity Test

Coefficients[a]		Collinearity Statistics	
Model		Tolerance	VIF
1	ETR	.938	1.066
	DER	.948	1.055
	TUN	.974	1.027
	EXCHANGE	.974	1.027
a. Dependent Variable: RPT			

Based on table 3 of the data, it can be seen that the VIF value of each independent variable has a value of <10, and the Tolerance value for these four variables is more than 0.10. Thus, it can be concluded that in this study the independent variables are free from multicollinearity between independent variables.

Heteroscedasticity Test

A good regression model is a model where heteroscedasticity does not occur. Ways that can be used to detect the presence or absence of heteroscedasticity are with the following criteria:

1. If the sig value is more than 0.05 (sig>0.05), it indicates homoscedasticity or heteroscedasticity does not occur.
2. If the sig value is smaller than 0.05 (sig<0.05) it indicates the presence of heteroscedasticity.

Table 4. Heteroscedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.050	.610		6.635	.000
	Ln_ETR	.086	.256	.031	.335	.738
	Ln_DER	-.404	.267	-.147	-1.512	.133
	Ln_TUN	.005	.467	.001	.011	.992
	Ln_Exchange	-.017	.081	-.020	-.209	.835

a. Dependent Variable: Ln_Ei2

Based on the output results in table 4, it shows that the four independent variables are Tax, Debt Covenant, Tunneling Incentive and Exchange Rate. Having a significance value > 0.05, it can be concluded that the data in this study is free from heteroscedasticity.

Autocorrelation Test

According to Ghozali (2021; 162), there are several methods that can be used to detect whether there is autocorrelation or not. Namely with the Durbin – Watson test (DW test)

Durbin-Watson (DW)	Kesimpulan
< dl	Terdapat autokorelasi (+)
dL sampai dengan dU	Tanpa kesimpulan
dL sampai dengan 4 - dU	Tidak terdapat autokorelasi
4 - dU samapi dengan 4 - dL	Tanpa kesimpulan
> 4 - dL	Ada autokorelasi

Table 5. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.307[a]	.094	.063	.451978987	2.331

a. Predictors: (Constant), EXCHANGE, DER, TUN, ETR

b. Dependent Variable: RPT

This research uses sample data of 120 samples (n = 120) and the number of independent variables is 4 (k = 4). Based on the Durbin-Watson table with a significance of 5%, it has a dU value = 1.7715, so the Durbin-Watson value in this study is 2.331. A study can be said to be free of autocorrelation if the DW value > DU & DW < (4-DU).

And the results of the autocorrelation test from this research are 2.331 > 1.7715 & 2.331 < 2.2285. Thus, this research is free from autocorrelation.

Test the coefficient of determination (R2)

Table 6. Determination test results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.307[a]	.094	.063	.451978987

a. Predictors: (Constant), EXCHANGE, DER, TUN, ETR

Based on the table above, the Adjusted R Square value is 0.063. From this value it can be interpreted that 6.3% of the Transfer Pricing variable can be explained by the Tax, Debt Covenant, Tunneling Incentive and Exchange Rate variables. Meanwhile, the remaining 93.7% (100% - 6.3%) is explained by other factors not included in this model.

Simultaneous significance test (F-Test)

Table 7. F test results

ANOVAª

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.448	4	.612	2.996	.022ᵇ
	Residual	23.493	115	.204		
	Total	25.941	119			

a. Dependent Variable: RPT

b. Predictors: (Constant), EXCHANGE, DER, TUN, ETR

Based on the results of the F test in the table above, it is known that the calculated F value is 2.996 with a significance of 0.022 < 0.050, so it can be concluded that together all the independent variables have a significant effect on the dependent variable. So, this regression model can explain that Tax, Debt Covenant, Tunneling Incentive and Exchange Rate together have an influence on Transfer Pricing.

Multiple linear regression

Based on the results of the research hypothesis that there is a relationship between the independent variabels Tax, Debt Covenant, Tunneling Incentive and Exchange ratel dependent variablel, making an analytical modell requires multipel linear regression.

Table 8. Multiple linear regression result

Coefficientsª

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.431	.138		3.119	.002		
	ETR	.045	.131	.031	.342	.733	.938	1.066
	DER	-.135	.048	-.256	-2.812	.006	.948	1.055
	TUN	-.046	.215	-.019	-.212	.832	.974	1.027
	EXCHANGE	.162	.096	.152	1.688	.094	.974	1.027

a. Dependent Variable: RPT

Test of Significance of Individual Parameters (t test)

Thel independent variable is said to have an effect on then dependent variable if it has a significance value of less than 0.05.

Table 9. Statistical Test Results

Coefficientsª

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.431	.138		3.119	.002
	ETR	.045	.131	.031	.342	.733
	DER	-.135	.048	-.256	-2.812	.006
	TUN	-.046	.215	-.019	-.212	.832
	EXCHANGE	.162	.096	.152	1.688	.094

a. Dependent Variable: RPT

Based on the table above it is known as follows:

1. Tax has a significance value of $0.733 > 0.05$. So it can be interpreted that the Tax variable has no significant effect on the Transfer Pricing variable
2. Debt Covenant has a significance of $0.006 < 0.05$. So it can be interpreted that the Debt Covenant variable has a significant effect on the Transfer Pricing variable.
3. Tunneling Incentive has a significance value of $0.832 > 0.05$. So it can be interpreted that the Tunneling Incentive variable has no significant effect on the Transfer Pricing variable
4. Exchange Rate has a significance value of $0.094 > 0.05$. So it can be interpreted that the Exchange Rate variable has no significant effect on the Transfer Pricing variable

The Influence of Taxes on Transfer Pricing Decisions

Based on the results of the hypothesis, it shows that the Tax Variable does not have a significant effect on the Company's Decision in carrying out Transfer Pricing actions. So, the first hypothesis is rejected
This means that the size of the amount of tax paid by the company does not influence the company's decision to carry out transfer pricing.

The Influence of Debt Covenant on Transfer Pricing Decisions

The second hypothesis of this research is that the Debt Covenant variable has a significant effect on Transfer Pricing decisions. So, the second hypothesis is accepted
This means that the greater the debt ratio a company has, the greater the level of decision the company will make to carry out transfer pricing.

The Effect of Tunneling Incentives on Transfer Pricing Decisions

The third hypothesis of this research is that the Tunneling Incentive variable has no significant effect on Transfer Pricing decisions. So, the third hypothesis is rejected.
This shows that the company with majority share ownership does not use its control rights to order management to carry out transfer pricing.

The Effect of Exchange Rates on Transfer Pricing Decisions

The final research hypothesis in this study states that the Exchange Rate variable has no significant effect on transfer pricing decisions. the fourth hypothesis is rejected.
This means that the size of the company's exchange rate difference does not influence the company's decision to carry out transfer pricing

IV. CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the analysis and discussion, then following conclusions can bel drawn:

1. Taxes do not have a significant effect on Transfer Pricing Decisions
2. Debt Covenant has a significant effect on Transfer Pricing Decisions
3. Tunneling Incentive does not have a significant effect on Transfer Pricing Decisions
Exchange Rate does not have a significant effect on Transfer Pricing Decisions

Implications

Future research is expected to be able to search for and add other variables that have a stronger influence on transfer pricing decisions.

Research limitations the time span of this research is only limited to 4 years so it is possible that some hypotheses are rejected, so it is hoped that future research can use a longer financial reporting period to get better results.

V. REFERENCE

1. Aharony, J., J. W., & Yuan, H. (2010). Tunneling as an Incentive for Earnings Management during the IPO Process in China. Journal Accounting and Public Policy, 29 (1), 1-26.
2. Aryanti, & Harahap. (2021). Hubungan Antara Tunneling Incentive, Bonus Mechanism dan Debt Covenant Terhadap Keputusan Transfer Pricing dengan Tax Minimization. Jurnal Akuntansi Trisakti, Volume 8 N.
3. Felentina, S. (2023). Pengaruh Pajak, Exchange Rate, Dan Tunneling Incentive Terhadap Transfer Pricing (Pada Perusahaan Manufaktur Sub Sektor Basic Industry and Chemical). Journal Of Management, Accounting, Tourism & Hospitality (JOMATH), 01(01), 1–11.
4. Ghozali, I. (2021). Aplikasi Analisis Multivariate Dengan Program IBM SPSS 26 Edisi 10. Badan Penerbit Universitas Diponegoro.
5. Iriani, S. F. (2021). Pengaruh Pajak Penghasilan, Tunneling Incentive, Debt Covenant dan Exchange Rate terhadap Keputusan Transfer Pricing pada Perusahaan Pertambangan yang terdaftar di Bursa Efek Indonesia Tahun 2017-2019. Jurnal Akuntansi STIE Muhammadiyah Palopo, 07(01), 7–16. https://journal.stiem.ac.id/index.php/jurakun/article/view/717
6. Junaidi, A., & Yuniarti. Zs, N. (2020). Pengaruh Pajak, Tunneling Incentive, Debt Covenant Dan Profitabilitas Terhadap Keputusan Melakukan Transfer Pricing. Jurnal Ilmiah Akuntansi, Manajemen Dan Ekonomi Islam (JAM-EKIS), 3(1), 31–44. https://doi.org/10.36085/jam-ekis.v3i1.530
7. Karisman, Rinaldo, & Putri. (2023). Penghindaran Pajak, Mekanisme Bonus dan Debt Covenant terhadap Keputusan Transfer Pricing pada Perusahaan Pertambangan. Pareso Jurnal, Vol. 5, No.
8. Kasmir. (2008). Analisis Laporan Keuangan. Rajawali Pers, Jakarta.
9. Mandasari, G. P., Zirman, & Rusli. (2019). PENGARUH PAJAK, UKURAN PERUSAHAAN, TUNNELING INCENTIVE, DEBT COVENANT, EXCHANGE RATE, DAN KEPEMILIKAN ASING TERHADAP KEPUTUSAN TRANSFER PRICING (Studi Empiris Pada Perusahaan Manufaktur yang Terdaftar Di BEI Pada Tahun 2014-2017). JOM FEB, Volume 6 E.
10. Maulani, S. T. (2021). PENGARUH PAJAK DAN TUNNELING INCENTIVE TERHADAP INDIKASI MELAKUKAN TRANSFER PRICING (STUDI KASUS PADA PERUSAHAAN LQ-45 YANG TERINDEKS DI BURSA EFEK INDONESIA). 7(1), 1–8.
11. Prof. Dr. Wiwik Utami, SE., M.Si., Ak., C., & Yananto Mihadi Putra, SE., M. S. (2020). profita : Komunikasi Ilmiah Akuntansi & Perpajakan. Universitas Mercu Buana.
12. Putri, W. C., & Lindawati, L. (2023). Pengaruh Tax Minimization, Exchange Rate Dan Tunneling Incentive Terhadap Keputusan Transfer Pricing. SCIENTIFIC JOURNAL OF REFLECTION: Economic, Accounting, Management and Business, 6(1), 195–204. https://doi.org/10.37481/sjr.v6i1.634
13. Sa'adah. (2022). PENGARUH PAJAK, TUNNELING INCENTIVE, DAN DEBT COVENANT TERHADAP KEPUTUSAN TRANSFER PRICING (Studi Kasus Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia (BEI) Periode Tahun 2018-2020).
14. Sejati, G. W., & Triyanto, D. N. (2021). Pengaruh Pajak, Ukuran Perusahaan, Exchange Rate, dan Intangible Asset Terhadap Transfer Pricing (Studi Pada Perusahaan Sektor Pertambangan yang Terdaftar di Bursa Efek Indonesia (BEI) Periode 2015-2019). E-Proceeding of Management, 8(2), 1085–1092.
15. Siandini, D. (2023). Pengaruh Debt Covenant, Good Corporate Governance, Dan Multinasionalitas Terhadap Transfer Pricing Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia (BEI). E-Proceeding of Management, 10(2), 2017–2021.
16. Tjandrakirana, R., & Diani, E. (2020). Tax, Debt Covenant and Exchange Rate (Analisis Atas Fenomena Transfer Pricing). Balance : Jurnal Akuntansi Dan Bisnis, 5(1), 26. https://doi.org/10.32502/jab.v5i1.2456
17. Yuniasih, N. W., Rasmini, N. K., & Wirakusuma, M. G. (2012). Pengaruh Pajak dan Tunneling Incentive pada Keputusan Transfer Pricing Perusahaan Manufaktur yang Listing di Bursa Efek Indonesia.
18. Undang-Undang Nomor 36 Tahun 2008 Tentang Pajak Penghasilan Pasal 18 Ayat (4). https://jdih.kemenkeu.go.id/