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ANALYSIS OF FACTORS INFLUENCING TRANSFER PRICING

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Abstract - Transfer pricing can be a problem as well as an opportunity for companies to get high profits. Global transfer pricing also aims to control the flow of resources between divisions and motivate businesses. The purpose of this study is to analyze the effect of the tax burden, company size and foreign ownership on transfer pricing. This research is quantitative research. The sample technique used in this research is purposive sampling. The samples used were sixteen manufacturing companies. The data used in this study were obtained from the annual financial reports of manufacturing companies for 2016-2018. The analysis technique used in this study was multiple linear regression which was processed using the SPSS version 25 application. The results of this study found that simultaneously the tax burden, company size and foreign ownership have a significant effect on transfer pricing. Partially, this study shows that tax burden has no significant effect on transfer pricing, company size has a significant effect on transfer pricing, and foreign ownership has no significant effect on transfer pricing. Companies must carry out transparent transfer pricing reporting, including compiling separate transfer pricing reports in accordance with tax requirements in various countries. Transparent reporting will support the company's integrity and accountability in carrying out transfer pricing practices.
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Keywords: tax burden, company size, foreign ownership and transfer pricing.

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INTRODUCTION

Globalization has brought opportunities as well as challenges to the development of economic activities. Globalization is a process of increasing interconnection and interdependence between countries around the world in various aspects, including economic, political and social. In the economic context, globalization has brought complex opportunities and challenges. On the one hand, globalization encourages rapid economic growth. However, on the other hand, globalization also creates global competition. Currently, investment flows, trade and labor mobility no longer recognize national boundaries. Globalization opens doors to greater economic opportunities as it allows access to a wider range of markets. International trade has become easier and more efficient, enabling companies to reach consumers in various countries. This can increase sales and business growth. In addition, globalization also encourages foreign investment flows, which can help developing countries acquire new capital, technology and knowledge.

Companies that carry out operations across various countries, which are related to special relationships, due to equity participation, management control or use of technology, can take the form of subsidiaries, agents and so on are called multinational companies (Multinational Corporation/MNC) (Suandy, 2016: 76). In multinational companies, various transactions often occur between its members, including transactions for the sale of goods or services (Achmad, Ghozali, & Pamungkas, 2022). These transactions often occur between companies that are related or have a special relationship. Pricing for various transactions between members of the multinational corporate group is known as transfer pricing (Mardiasmo, 2008:2). Transfer pricing refers to the process of determining the price set for transactions between members of a multinational company that are in the same corporate group. In the context of multinational companies, there are many transactions that occur between subsidiaries, branches or affiliates of companies located in various countries. The main objective of transfer pricing is to set fair and reasonable prices for goods and services traded between members of the corporate group. However, this is often complex and complicated due to special relationships or shared interests between the companies within the group.

Transfer pricing can be a problem as well as an opportunity for companies to get high profits. Transfer pricing can be a problem if not handled carefully. Some companies may manipulate transfer pricing to reduce taxes or hide profits by charging unfair prices for internal transfers. This can generate controversy with the taxation authorities and run the risk of sanctions or fines if deemed to have violated tax regulations. Opportunity to earn high profits: On the other hand, transfer pricing can also be an opportunity for companies to earn high profits. By setting the right transfer prices, companies can legally optimize their tax structure and improve operational efficiency. In some cases, companies may use transfer pricing to move profits to low-tax jurisdictions, thereby legally reducing their global tax burden. According to Pratiwi & Khoirunurrofik (2023) for companies that have branches in countries with high tax rates, this can be a problem because the company pays large taxes, which can reduce the company's profits. However, many companies see this as an opportunity to gain more profit from sales and avoid taxes by creating a branch company in a country that has a low tax rate. Transfer pricing is usually used to motivate businesses by pricing goods, services or intangible assets. In addition to business motivation, transfer pricing globally also aims to control the flow of resources between divisions (Suandy, 2016: 76). Transfer pricing, when regulated and executed properly, is a legitimate tool for multinational companies to efficiently manage their business activities and optimize the allocation of resources across their global network. However, transfer pricing practices that are unfair or abusive can lead to conflicts with tax authorities and harm the global economy as a whole. Therefore, multinational companies need to ensure compliance with applicable regulations and guidelines in every transaction between members of their corporate group.

Tax compliance is an important issue that is of concern to developed and developing countries, because tax compliance is closely related to tax revenues (Herawati, Yasa, Resmi, & Yastini, 2022). Taxpayer non-compliance creates a desire to commit tax avoidance, embezzlement and smuggling, so as to reduce tax revenue (Evi, 2016). From a government perspective, transfer pricing is believed to result in reduced or even loss of potential state revenues because companies tend to shift their tax obligations from countries with high tax rates to countries with low tax rates (Septiani, Prawira, & Kusniawan, 2021). The Director General of Taxes revealed that there were 2,000 multinational companies in Indonesia that did not pay corporate income tax due to losses in the last 10 years (Cnnindonesia.com (2016). Based on calculations, the country has the potential to lose 1,300 trillion Rupiah due to transfer pricing practices (Halim, 2019). The increasing number of transfer pricing problems carried out by multinational companies has become an interesting issue so that it has received the attention of tax authorities in various countries. More and more countries in the world are starting to introduce regulations on transfer pricing. Specifically, the regulations governing transfer pricing are contained in the Director General of Taxes Regulation Number 32 of 2011 Article 1 Paragraph 5 concerning the Application of the Principles of Fairness and Normal Business in Transactions Between Taxpayers and Parties with Special Relationships. This rule states that the arm's length principle is the principle that regulates that the price or profit on transactions made between related parties is the same or comparable to transactions between parties who are not related as comparison. The price or profit on transactions made between parties that are not related is determined by market forces so that the transaction reflects a fair market value.

Specifically, the regulations governing transfer pricing are contained in the Director General of Taxes Regulation Number 32 of 2011 Article 1 Paragraph 5 concerning the Application of the Principles of Fairness and Normal Business in Transactions Between Taxpayers and Parties with Special Relationships. This rule states that the arm's length principle is the principle that regulates that the price or profit on transactions made between related parties is the same or comparable to transactions between parties who are not related as comparison. The price or profit on transactions made between parties that are not related is determined by market forces so that the transaction reflects a fair market value.

Based on Article 18 paragraph 4 of Law Number 36 of 2008, a special relationship between taxpayers occurs when there is direct or indirect ownership and capital participation of 25% (twenty five percent) or more in another taxpayer, mastery through management or use of technology even though there is no ownership relationship, and family relations either blood or blood in a straight line of one degree and or one degree sideways. Some time ago, transfer pricing cases were carried out by large companies. An example of the transfer pricing case that ensnared Starbucks in the UK. In 2011, Starbucks UK didn't even pay corporate tax at all, whereas at that time Starbucks managed to print sales of £ 398 million. Starbucks also stated that they had experienced losses since 2008. Even though Starbucks stated that they had made large profits in England in their reports to investors in the United States (Setiawan, 2013). It's the same with Amazon UK where in 2011 they managed to score sales of £3.35 billion but only paid taxes of £1.5 million (Sari, 2018).

In Indonesia alone, an example of a company that has been entangled in transfer pricing cases is PT Adaro Energy Tbk (ADRO) and its affiliated company in Singapore, namely Coaltrade Service International Pte Ltd in 2005-2006. This case was uncovered after the expert staff of the ESDM department, Sudhono Iswahyudi together with the Director General of Taxes reported to the Attorney General's Office. PT Adaro sold coal to its Singapore subsidiary at unreasonable prices, namely US$26 per tonne in 2015 and US$29 in 2016. PT Adaro only recorded sales of US$697.1 million in 2015 and US$1.003 billion in in 2016. Even if the sales were calculated at a fair price, then PT Adaro's sales should have been US$1.287 billion in 2015 and US$1.371 billion in 2016 (Rezky and Fachrizal, 2018). In addition to the PT Adaro Energy Tbk case, there are other examples of transfer pricing activities in Indonesia, one of which is PT Toyota Motor Manufacturing Indonesia (TMMIN). PT Toyota Motor Manufacturing Indonesia is a company engaged in the assembly of Toyota products and exporters of Toyota vehicles and spare parts. This case emerged after the Directorate General of Taxes (DGT) conducted an audit on the annual tax returns (SPT) for 2005, 2007 and 2008 on the ground that Toyota claimed to have overpaid taxes in those years and asked for a refund. From the results of an examination of the 2004 tax returns, the tax director general found irregularities, namely Toyota's gross profit dropped dramatically from Rp. 1.5 trillion to Rp. 950 billion. Apart from that, Toyota's gross margin ratio also shrank from the previous 14.59% to 6.58% a year later. Meanwhile, in that year their sales increased by 40%. After being examined, it is suspected that Toyota manipulated the price of transactions with affiliates and added burdens through unfair loyalty payments. It was revealed that a thousand cars made by Toyota Motor Manufacturing Indonesia were sent to the Toyota Asia Pacific office in Singapore before being dispatched to the Philippines and Thailand. It can be concluded that PT Toyota Motor Manufacturing Indonesia only acts on behalf of Toyota Asia Pasifik Pte Ltd (Putri, 2016).

Transfer pricing carried out by multinational companies is influenced by both tax and non-tax factors. One of the reasons a company performs transfer pricing is to reduce the tax burden. Tax expense is the accumulation of the amount of current tax and deferred tax contained in the income statement for a period. Companies do not like and avoid high tax burdens, this is so that companies can get maximum profits. Previous research conducted by Marfuah et al. (2019) proves that the tax burden has an effect on transfer pricing. The greater the tax burden that must be paid by the company triggers the company to minimize the tax burden, one of which is by carrying out transfer pricing. However, the results of this study are in contrast to research conducted by Rahmadani (2019) which states that the tax burden has no effect on transfer pricing. Where companies going public are always supervised by the government, so these companies will be more careful in avoiding taxes through transfer pricing. Apart from tax reasons, transfer pricing can also be influenced by non-tax aspects, namely company size. Company size is a measure of the size of the company. Company size can be measured through total asset ownership. The greater the assets owned by the company, the larger the size of the company.

In research conducted by Rezky and Fachrizal (2018) stated that company size has an effect on transfer pricing. Large companies have more resources and opportunities to carry out transfer pricing. While this is contrary to research conducted by Yulia et al. (2019). The research shows that company size is not a benchmark for companies to carry out transfer pricing. Large and small companies are in the public spotlight so that company managers will be more thorough and open in conveying their financial condition. Managers who manage companies do not want to be involved with earnings management, one of which is transfer pricing. Another thing that influences the company's decision to carry out transfer pricing is foreign ownership. Foreign ownership is the ownership of company shares that are controlled by foreign bodies, governments, and individuals. The controlling shareholder according to PSAK No. 15 of 2017 is an entity that owns 20% or more shares either directly or indirectly so that the entity is considered to have significant influence in controlling the company. In Indonesia, transactions between members of multinational companies are inseparable from transfer pricing, especially by foreign investors (PMA) and branches of foreign companies in Indonesia which are included in the category of Permanent Establishment (BUT) (Rohana, 2018).

Research conducted by Halil et al. (2019) proves that foreign ownership has an effect on transfer pricing. Purnamasari, (2020) moreover added that the number of controlling foreign shareholders makes the controlling foreign shareholders have a strong position so that the controlling shareholders can be involved in managing the company, including the transfer pricing policy. However, this is contrary to research conducted by Melmusi (2016) which states that foreign ownership has no effect on transfer pricing. This happens because making all decisions in the company requires agreement from the company's directors to maximize personal welfare. The relatively large percentage of foreign ownership does not necessarily make shareholders in a strong position to control the company, including influencing the decision to carry out transfer pricing (Depari, Ramadhan, & Firmansyah, 2021).

Research Hypothesis

Effect of Tax Burden on Transfer Pricing

The tax burden is one of the important factors influencing a company's decision to determine transfer prices between members of a corporate group. The tax burden is the amount of tax paid by the company based on the profits or profits earned. The greater the tax burden that companies in a country have to bear, the greater the incentive for companies to find ways legally reduceing this tax burden. Legal and fair transfer pricing must still be complied by multinational companies, without violating applicable tax regulations. While the tax burden may influence a company's decisions regarding transfer pricing, it is still important for companies to follow applicable guidelines and regulations to ensure compliance and transparency in their transfer pricing practices. Each country has different tax rates according to the conditions chosen by each country. This causes multinational companies to try to find ways to avoid excessively high tax burdens, especially if the company operates in a country that has high tax rates. Multinational companies that have branches in several countries that have high tax rates are compelled to carry out transfer pricing. Pamungkas & Setyawan (2022) mentioned that Transfer pricing is carried out by shifting the company's tax obligations to related companies in countries with lower tax rates where the company has a division that operates in that country, namely by reducing the selling price so that the profit reported by the company in its financial statements will appear low. This will indirectly reduce the amount of tax paid by the company. Research conducted by Marfuah et al. (2019) shows that the tax burden has an effect on transfer pricing. The higher the tax burden that must be paid by the company encourages the company to reduce the tax burden that must be paid, one of which is through transfer pricing.

H1: Tax burden has an effect on transfer pricing

Effect of Company Size on Transfer Pricing

Scale of Operations and Business Complexity: Larger multinationals tend to have larger and more complex operations in multiple countries. Transactions between members of a corporate group within a large company can be more numerous and more diverse. This can lead to higher transfer pricing complexities and affect the way companies set transfer prices for different types of transactions. Companies with a large size can take advantage of the benefits of economies of scale in the production and distribution of products. In transfer pricing practices, a company may wish to take advantage of this advantage by charging lower transfer prices to support business activities within other corporate group members. Company size is an assessment of the size of a company. Company size usually uses total assets as a proxy for company size. **Adiputraa & Hermawan (2020)** said that companies with large total assets have passed the maturity stage so that companies are relatively stable and more able to generate profits compared to small companies. Companies that have large profits tend to be involved in transactions or schemes to avoid taxes. Because of that, the company has taken a way to minimize tax payments, namely by means of transfer pricing. Research conducted by Halil et al. (2019), Melmusi (2016), Rahmadani (2019), Rezky and Fachrizal (2018) show that company size has an effect on transfer pricing. Companies with large assets have more resources and better opportunities to carry out transfer pricing.

H2: Company size has an effect on transfer pricing

Effect of Foreign Ownership on Transfer Pricing

Tax Avoidance Strategy: Companies with foreign ownership often have an interest in optimizing the tax burden and minimizing tax payments. They can use transfer pricing to shift their profits to countries with lower taxes, thereby reducing the overall tax burden. Companies with foreign ownership must understand the implications of transfer pricing in the global business context and ensure that their transfer pricing practices comply with tax regulations and guidelines that apply in various countries. Transfer pricing practices that are fair, transparent and in accordance with the principles of arm's length should be a major concern in efforts to avoid conflicts with tax authorities and ensure proper tax compliance. Companies in Asia, especially Indonesia, apply a concentrated ownership structure. Concentrated ownership structures tend to create conflicts of interest between controlling shareholders and management with non-controlling shares. Additionally Zhang, Xiong, and Zhang (2021) stated that non-controlling shareholders trust the controlling shareholders to control management because the controlling shareholders have a better position. This causes the non-controlling shareholders to be in a very weak position so that the controlling shareholders can abuse their rights for their own welfare. Abuse of the right to maximize personal welfare by distributing wealth from other parties is called expropriation.

One form of expropriation is by way of transfer pricing. The controlling shareholder may sell products from the company he controls to his private company. When the share ownership of foreign controlling shareholders is greater, the foreign controlling shareholders have greater influence in making company decisions, including pricing policies and the amount of transfer pricing.

Previous researches conducted by Halil et al. (2019), Rahmadani (2019), and Refgia et al. (2016) stated that foreign ownership has an effect on transfer pricing. The greater the foreign ownership of the company means that the greater the position of shareholders in controlling the company. Sulistyowati & Kananto (2019) stated that the influence of foreign shareholders whose shareholdings are quite large can determine various decisions within the company that can be profitable for the shareholders themselves, including policies in determining transfer prices.

H3: Foreign ownership affects transfer pricing

METHODS

This research is quantitative research which is a research by analyzing numerical data which is processed using statistical methods whose results will be interpreted to obtain a conclusion. By using purposive sampling method, the type of data used to support this research is secondary data. All data for this study originates from the financial reports (annual reports) of companies belonging to the classification of the manufacturing industry during the 2016-2018 period which have been published in full on the Indonesia Stock Exchange (IDX) via the IDX website's home page, namely www.idx.co.id. The data collection method used in this study is the documentation method. The analysis in this study was processed using calculation results from IBM SPSS version 25. In this study, transfer pricing is the dependent variable. Based table 1, the independent variables in this study are tax burden, company size and foreign ownership.

[Table 1 About Here]

Population and Sample

The population is limited to a number of groups or individuals who have at least one characteristic in common. The population in this study is manufacturing companies listed on the IDX for 2016 - 2018. The unit of analysis in this study is the organization as follows: manufacturing companies that have complete financial reports during the research period from 2016 to 2018. Manufacturing companies, that were listed from 2016 to 2018, are listed on the Indonesia Stock Exchange.

From a population of 140 manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2018 period, the researchers took 16 companies as samples. By using the purposive sampling method, the population that will be used as a research sample is one that meets certain sample criteria as desired, and then is selected based on certain considerations in accordance with the research objectives.

Data Types and Sources

The type of data used to support this research is secondary data. All data for this research comes from the annual reports of companies classified as manufacturing industry during the 2016-2018 period which have been published in full on the Indonesia Stock Exchange (IDX).) through the home page of the IDX website, namely www.idx.co.id. This study uses multiple regression analysis method, the model used to see the effect of tax, company size and foreign ownership on transfer pricing which is processed using the SPSS version 25 application.

RESULTS AND DISCUSSION

Descriptive statistical analysis is used to obtain an overview of the variables used in the study. This study uses the average value (mean), maximum value, minimum value and standard deviation to obtain an overview of each variable. Based on the results of data processing with the help of SPSS statistics 25, the following calculation results based table 2:

[Table 2 About Here]

From the table 2, it is known that the value of N or the number of sample companies used in this study is 48. This shows that the number of samples is 16 companies within an observation period of 3 years.

The results of the calculation of the transfer pricing variable can be seen that the variable measurement of N as many as 48 in the 2016-2018 period has the highest value of 0.9555 and the lowest value of 0.0004. While the average is 0.304923 and the standard deviation is 0.3328501. The highest transfer pricing of 0.9555 was owned by PT Surya Toto Indonesia in 2018, because PT Surya Toto Indonesia made sales to the largest reactants. The lowest transfer pricing of 0.0004 was owned by PT Delta Djakarta in 2017, because PT Delta Djakarta sold less to related parties than the others.

The results of calculating the variable tax burden can be seen that the variable measurement of N as many as 48 in the 2016-2018 period has the highest value of 0.5399 and the lowest value of 0.0664. While the average is 0.269342 with a standard deviation of 0.894433. The highest tax expense of 0.5399 was owned by PT Lion Metal Works in 2017. Meanwhile, the lowest tax expense of 0.0664 was owned by PT Indocement Tunggal Prakasa in 2016.

The results of the calculation of the company size variable can be seen that the variable measurement of N as many as 48 in the 2016-2018 period has the highest value of 33.4737 and the lowest value of 27.1825. While the average is 29.585071 and the standard deviation is 1.8293447. The mean result is greater than the standard deviation (29.585071 > 1.8293447) indicating that company size has good data distribution. The highest company size of 33.4737 was owned by PT Astra International in 2018. Meanwhile, the company size was 27.1825 by PT Pelangi Indah Canindo in 2016.

The results of the calculation of the foreign ownership variable show that the variable measurement of N as many as 48 in the 2016-2018 period has the highest value of 0.9625 and the lowest value of 0.2908. While the average is 0.648304 and the standard deviation is 0.2358236. These results indicate that foreign ownership of manufacturing companies in Indonesia has a good data variation value, because the mean value is greater than the standard deviation value (0.648304 > 0.2358236). These results also show that the majority of manufacturing companies have foreign ownership of more than 50%. The highest foreign ownership of 0.9625 was owned by PT Sepatu Bata in 2018. While the lowest foreign ownership of 0.2908 was owned by PT Kalbe Farma in 2017.

Classic Assumption Test

Normality Test

[Table 3 About Here]

Based on the table 3 of the SPSS output above, it shows that the significance value of 0.083 is greater than the expected significance value of 0.05 (0.083 > 0.05). So it can be concluded that the residual data in this study are normally distributed.

Multicollinearity Test

The multicollinearity test aims to determine whether there is a correlation between the independent variables in the regression model. A good regression model should not have correlation between independent variables. The multicollinearity test is carried out by calculating the VIF (Variance Inflation Factor) value and the Tolerance value. If the Tolarance value is > 0.10 and the VIF value is < 10, there are no symptoms of multicollinearity.

[Table 4 About Here]

From the table 4 it is obtained that the tolerance value for the tax burden variable is 0.944, company size is 0.941, and foreign ownership is 0.997. The tolerance value for all independent variables is greater than 0.10 (Tolerance value > 0.10). The VIF value for the variable tax burden is 1.059, company size is 1.062, and foreign ownership is 1.003. The VIF value for all independent variables is less than 10 (VIF <10). So, it can be concluded that there is no multicollinearity among the three independent variables.

Autocorrelation Test

[Table 5 About Here]

Based on the table 5 it can be seen that the DW value is 1.779. The DU value on the Durbin Watson table is 1.6708. The value of 4-DU is 2.3292. DU < DW < (4-DU) or 1.6708 < 1.779 < 2.3292. Thus, there is no autocorrelation in the model used.

Multiple Regression Analysis

From the results of the study, it was found that the regression coefficient t value and significance value are as follows:

[Table 6 About Here]

From the table 6, the calculated t value of the tax burden variable is -0.711, company size is -3.196, and foreign ownership is -1.592. And the respective significance values are 0.481, 0.003, and 0.119.

The results of the regression equation from the table above are as follows:

Y = 2,935 - 0,360X1 – 0,079X2 – 0,297X3

From the equation above, a constant of 2.935 states that if there is no tax expense (X1), company size (X2) and foreign ownership (X3) or equal to zero, then the value of transfer pricing (Y) is 2.935.

The coefficient for the tax expense is -0.360 stating that every 1% increase in the tax burden (assuming that the value of other variables is zero) will reduce transfer pricing by 0.360. Conversely, if the tax burden has decreased by 1% (assuming that the other variable values are zero) then the tax burden has increased by 0.360. The negative coefficient indicates that there is an opposite relationship between the tax burden and transfer pricing, the more the tax burden that must be paid by the company increases, the less transfer pricing will be applied.

The coefficient for company size is -0.079 which states that every 1% increase in company size (assuming that the other variables are zero) will reduce transfer pricing by 0.079. Conversely, if the size of the company has decreased by 1% (assuming that the other variables are zero), then the size of the company has increased by 0.079. The negative coefficient indicates that there is an opposite relationship between company size and transfer pricing, the larger the size of the company, the less applied transfer pricing.

The coefficient for foreign ownership is -0.297 stating that every 1% increase in foreign ownership (assuming that the value of other variables is zero) will reduce transfer pricing by 0.297. Conversely, if foreign ownership has decreased by 1% (assuming that the value of other variables is zero) then foreign ownership has increased by 0.297. The negative coefficient indicates that there is an opposite relationship between foreign ownership and transfer pricing, the more foreign ownership of a company increases, the less transfer pricing will be applied.

Hypothesis testing

[Table 7 About Here]

From the table 7, the tax burden variable (X1) has a t value of 0.711 < t table of 2.015 and a significance level of 0.481 > 0.05. This means that Ho is accepted and Ha is rejected, so it can be concluded that the tax burden has no significant effect on transfer pricing.

Firm size (X2) has a t count value of 3.196 > t table 2.015 and a significance of 0.003 <0.05. This shows that Ho is rejected and Ha is accepted, so it can be concluded that company size has a significant effect on transfer pricing.

Meanwhile, foreign ownership (X3) has a t value of 1.592 < t table of 2.015 and a significance level of 0.119 > 0.05. This shows that Ho is accepted and Ha is rejected, so it can be concluded that foreign ownership has no significant effect on transfer pricing.

The F test is conducted to find out that the independent variables jointly or simultaneously have a significant influence on the dependent variable. The decision making process is carried out by comparing the calculated F value with F table. The results of the F test in this study can be seen in the following table:

[Table 8 About Here]

From the ANOVA test (Analysis of Variance) or the F test shows that the significance level is 0.008 <0.05, this means that Ho is rejected and Ha is accepted, so it can be concluded that the tax burden, company size and foreign ownership simultaneously have a significant influence on transfer pricing.

Determination Coefficient Test (R2)

The coefficient of determination test (R2) is useful for measuring how much the percentage of independent variables contributes together to explain the dependent variable.

[Table 9 About Here]

Based on the table 9, the R Square value is 0.233. This means that the independent variables include tax burden, company size and foreign ownership affect transfer pricing by 23.3%, while the remaining 76.7% is influenced by other variables not examined in this study.

Discussion

The results of this study indicate that the tax burden has no significant effect on transfer pricing. This result contradicts the theory that the greater the tax burden that companies have to pay triggers companies to minimize the tax burden, one of which is through a transfer pricing mechanism (Nazihaha, Azwardi, & Fuadah, 2019). The results of this study are reinforced by Rahmadani's (2019) and Rini, Dipa, & Yudha's (2022) previous researches mentioned that the tax burden has no significant effect on transfer pricing. However, this is contrary to the findings of Marfuah et al. (2019) which states that the tax burden has an effect on transfer pricing. This could have happened because the difference in the research object focused on mining companies with the 2012-2017 research period.

Company size has a significant effect on transfer pricing. This result is in accordance with the theory that relatively large companies lack incentives to carry out transfer pricing due to their prudence in reporting their financial condition (Kohlhase & Wielhouwer, 2022). Meanwhile, small companies tend to do transfer pricing to show satisfactory performance. The results of this study are supported by research conducted by Halil et al. (2019), Melmusi (2016), and Rahmadani (2019) state that company size has an effect on transfer pricing. This research is not in line with the research of Refgia et al. (2016) and Yulia et al. (2019) states that company size has no effect on transfer pricing. This difference may occur due to differences in the observation period of each study.

Foreign ownership has no significant effect on transfer pricing. This is contrary to the theory that the greater the ownership of foreign shares, the controlling shareholder has a stronger position in managing the company, including making transfer pricing decisions. These results are supported by research by Melmusi (2016) and Yulia et al. (2019), who previously conducted research, stated that foreign ownership did not have a significant effect on transfer pricing. However, this is contrary to the findings of Halil et al. (2019), Rahmadani (2019) and Refgia et al. (2016) stated that foreign ownership has a significant effect on transfer pricing. This could happen due to differences in the object of research and the observation period of each study.

The results of this study indicate that simultaneously the tax burden, company size, and foreign ownership have a significant effect on transfer pricing. These results are consistent with the hypothesis that the tax burden, company size, and foreign ownership simultaneously have a significant effect on transfer pricing.

CONCLUSION

The tax burden has no significant effect on transfer pricing in manufacturing companies listed on the IDX for the 2016-2018 period. This indicates that go public companies are always supervised by the government so that companies will be more careful in avoiding taxes, one of which is through transfer pricing. Company size has a significant effect on transfer pricing in manufacturing companies listed on the IDX for the 2016-2018 period. This indicates that the performance of a relatively large company will be seen by the public so that company managers are more careful in reporting the company's financial condition. Meanwhile, relatively small companies tend to do transfer pricing to show satisfactory performance. Foreign ownership has no significant effect on transfer pricing in manufacturing companies listed on the IDX for the 2016-2018 period. This indicates that the size of foreign share ownership is not a benchmark in carrying out transfer pricing policies. Making all decisions in the company requires agreement from the company's directors so that the controlling shareholders cannot arbitrarily maximize personal welfare.

Recommendation

The author's recommendations in this study for further researchers are as follows:

1. Future research should expand the research sample, both the time span and the research object, so that more accurate results can be obtained.
2. Future research is expected to add to other factors that influence transfer pricing that have not been studied, such as bonus and leverage mechanisms.

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TABLE 1 I Operational Research Variables

Variable	Variable Concept	Measurement	Scale
Tax expense (X1)	Measuring the value of taxes charged to a company	$\frac{\text{tax expense}}{\text{Profit before tax}}$	Ratio
Company Size (X2)	Measuring the size of the company	Ln (Total Asset)	Ratio
Foreign Ownership (X3)	Measuring the proportion of company shares originating from citizens or foreign business entities	$\frac{\text{Total Foreign Share Ownership}}{\text{Total Outstanding Shares}}$	Ratio
Transfer Pricing (Y)	Measuring the value of related party accounts receivable transactions on total receivables	$\frac{\text{Total Receivables Related}}{\text{Total Receivables}}$	Ratio

Source: Data processed by writers (2020)

TABLE 2 I Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Tax expense	48	,0664	,5399	,269342	,0894433
Firm Size	48	27,1825	33,4737	29,585071	1,8293447
Foreign Ownership	48	,2908	,9625	,648304	,2358236
transfer pricing	48	,0004	,9555	,304923	,3328501
Valid N (listwise)	48				

Source: SPSS 25 Output

TABLE 3 I Normality Test Result

N	48	
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.29142084
Most Extreme Differences	Absolute	.120
	Positive	.120
	Negative	-.078
Test Statistic	.120	
Asymp. Sig. (2-tailed)	.083[c]	

Source: SPSS 25 Output

TABLE 4 I Multicollinearity Test Results

	Tolerance	VIF
Tax Expense	.944	1.059
Company Size	.941	1.062
Foreign Ownership	.997	1.003

. Dependent Variable: Transfer pricing

TABLE 5 I Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,462[a]	,213	,158	,22005	1,779

Source: SPSS 25 Output

TABLE 6 I Multicollinearity Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig
	B	Std. Error	Beta		
(Constant)	2.935	.779		3,766	.000
Tax Expense	-.360	.505	-.097	-.711	.481
Company Size	-.079	.025	-.435	-3.196	.003
Foreign Ownership	-.297	.187	-.211	-1.592	.119

Dependent Variable: transfer pricing

Source: SPSS 25Output

TABLE 7 I Test Results t

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig
	B	Std. Error	Beta		
(Constant)	2.935	.779		3.766	.000
Tax Expense	-.360	.505	-.097	-.711	.481
Company Size	-.079	.025	-.435	-3.196	.003
Foreign Ownership	-.297	.187	-.211	-1.592	.119

Source: SPSS 25 Output

TABLE 8 I F Test

Model	Sum of Squares	df	Mean Square	F	Sig
Regression	1,216	3	,405	4,467	,008[b]
Residual	3,992	44	,091		
Total	5,207	47			

TABLE 9I Determination Coefficient Test (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.483[a]	.233	.181	.3011918	.671

Source: SPSS 25 Output