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The Effect of Income Tax, Tunneling, Incentive, and Bonus Mechanism on Transfer Pricing Decisions with Profitability as a Moderation Variable in Manufacturing Companies Listed on the IDX

Mistari Evanggelista Tambunan[1], Azhar Maksum[2], Narumondang Bulan Siregar[3]

[1,2,3]Department of Accounting, Faculty of Economics and Business, Universitas Sumatera Utara, Indonesia

Corresponding Author: Mistari Evanggelista Tambunan

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ABSTRACT

This study analyzes the effect of Income Tax, Tunneling Incentives, and Bonus Mechanisms with Profitability as a Moderating variable on Transfer Pricing decisions in manufacturing companies listed on the Indonesia Stock Exchange in 2016-2020. The population in this study amounted to 182 companies. The sampling method used in this study was purposive and obtained 46 sample companies which became the object of research. This type of research is descriptive quantitative with classical assumption testing and Multiple Regression Analysis (MRA) tests which use two regression equations. The analysis results show that Income Tax has a significant negative effect on Transfer Pricing decisions, Tunneling Incentive has a significant negative effect on Transfer Pricing decisions, Bonus Mechanism has a significant negative effect on Transfer Pricing decisions, and Profitability cannot moderate the effect of Income Tax on Transfer Pricing, Profitability cannot moderate the effect of Tunneling Incentive on Transfer Pricing, and Profitability cannot moderate the effect of Bonus Mechanism on Transfer Pricing.

Keywords: *Income Tax, Tunneling Incentive, Bonus Mechanism, Profitability, and Transfer Pricing.*

INTRODUCTION

Aspects of supporting investment in this era of globalization such as making there are no boundaries between one country and another, especially with the progress of the media, which is very developed and very supportive now makes information very fast to provide and obtain, this is what motivates national companies to develop widely into multinational companies. To strengthen their global base, multinational companies establish branch subsidiaries and business representatives in various countries to strengthen strategic alliances and grow their products' export and import market share in various countries (Diyah, 2020).

Multinational companies or Multinational Corporations (MNCs) operate across countries, which allows transfer pricing compared to national companies. Talking about companies cannot be separated from tax issues. Several different regulations and policies are regulated in each country. These differences encourage companies to make tax savings by doing transfer pricing. The definition of transfer pricing can be seen from several different aspects. For example, from the company's legal point of view, transfer pricing is considered a tool to increase efficiency and synergy between the company and shareholders (Hafidh, 2020). From an accounting perspective, transfer pricing maximizes company profits by determining the price of goods or services from an organizational unit to other

organizations within the same company (Hafidh, 2020). Meanwhile, from the taxation aspect, transfer pricing is a price policy in transactions carried out by parties with special relationships (Hafidh, 2020).

The transfer pricing policy includes policies on transactions of goods, services, intangible assets, or financial transactions carried out by related companies or multinational companies. The definition of transfer pricing above has a reasonable understanding. However, transfer pricing will become an issue with a negative connotation (often called the abuse of transfer pricing) if multinational companies apply tax fraud practices (Hafidh, 2020). The fraud in question is a transfer or shift of income from an affiliated company in a country with a higher tax rate to another company with a lower tax rate, thereby reducing the total tax burden of the group of companies.

The phenomenon of tax avoidance cases in Indonesia, hotly discussed in the past year, has occurred in the pulp industry. For example, PT Toba Pulp Lestari, Tbk (TPL), was quoted from the Fair Tax Forum report entitled "Macau Cash Machine." This forum consists of initiative associations, PWYP Indonesia national secretariat, ASPPUK, The Habibie Center, ICW (Indonesia Corruption Watch), IGJ (Indonesia for Global Justice), ILR (Indonesia Legal Roundtable), documenting allegations of profit diversion and tax leakage in Indonesian pulp exports. There is a discrepancy between the trade data for soluble pulp and a special type of pulp used in making Indonesian textile products in China. In the United Nations Commodity Trade Statistics Database (UN Comtrade), 2007-2018, China imported more than 2 million tons of soluble pulp from Indonesia. However, Indonesia was recorded as exporting only around 400,000 tons in the same period.

From the gap between Indonesia and China's reports, the Forum Tax Equitable Report suspects that PT Toba Pulp Lestari transferred profits or shifted profits to its affiliated company based in Macau, which has low tax rates by selling soluble pulp as paper-glade pulp at a lower market price to reduce the tax burden in Indonesia. Furthermore, the company in Macau served as TPL's sole export sales and marketing agency company. Through its financial reports in 2007-2016, most of TPL's sales to international buyers, amounting to US$ 811.3 million, were made through its affiliated sales and marketing company based in Macau, DP Marketing International Limited (MCO) or DP Macao.

In the September 2010 shipment, TPL was recorded as exporting 1,015,433 kilograms (kg) of pulp labels "Toba cell Eucalyptus Pulp" (HS 470329) to DP Macao at a unit price, according to figures from commercial trade data providers, of US$ 558 per ton (FOB). Later in the same month, a company in China, Bora Jingwei Fiber Co., received a shipment of 1,015,433 kg of soluble pulp (HS470200) at a unit price of US$ 1,655 per ton (CIF). Assuming the two notes with the same volume are the same item, and the item is soluble pulp, it appears that DP Macao sold it for almost three times the value paid to TPL and the difference between the selling and buying prices after deducting the value of shipping insurance and 2% commission amounting to US$ 991,469. This profit margin is enormous, and these findings indicate that DP Macao will likely make a large fortune from selling soluble pulp produced by TPL, given that Macau is a low-tax jurisdiction. This practice should be suspected as a tax planning strategy that leads to avoidance of corporate tax payment obligations in Indonesia or transfer pricing and takes advantage of loopholes and inconsistencies in tax regulations.

The Fair Tax Forum report also stated that according to China's trade data from December 2007 to December 2016, the country imported 959,834 pulps from Indonesia. Throughout that time, TPL was the only producer of soluble pulp in

Indonesia and logically became the only producer of imported sources until 2016. Overall, during 2007-2016, DP Macao earned a total spread of US$ 426 million (Rp 4.23 trillion) from its pulp sales produced by TPL. This calculation has issued a 2% marketing commission commonly obtained by marketing agencies such as DP Macao in normal commercial transactions. In other words, the spread obtained by DP Macao is so large and unreasonable. Supposedly, TPL would have received this spread instead of the Macao DP if its sales invoice had correctly recorded its soluble pulp exports at prevailing market prices.

The scheme implemented by TPL certainly affects tax payments. During 2007-2016 TPL paid relatively little corporate income tax even though it produced more than 1.8 million tons of pulp (paper-grade and soluble) with a sales value of more than US$ 1 billion. TPL recorded a net profit of US$ 45.6 million from these sales and paid a net corporate income tax of US$ 15.9 million. Compared with the average selling price during that period, which was around US$ 8.66 per ton. This is unfair to Indonesia's Directorate General of Taxes, given that the marketing arrangements for TPL and DP Macao are based on inaccurate sales tax invoices and pricing that is not fair or far from market prices for soluble pulp exports when shipped.

The abuse of transfer pricing practices was also committed by the coal company PT Adaro to its affiliated company, Coaltrade Service Internasional Pte, which is based in Singapore. The findings by the Global Witness organization show that there are indications that Adaro is committing tax evasion by transferring some profits derived from coal mining in Indonesia to its network of overseas companies. According to the Global Witness Report, Adaro's Overseas Company Network revealed that from 2009-2017 Adaro, through one of its subsidiaries in Singapore, Coal Trade Services International, had arranged it in such a way that they could pay taxes of US$125 million less than they should be paid in Indonesia. By transferring a large amount of money through tax havens, Adaro managed to reduce its tax bill in Indonesia, which means reducing revenue for the Indonesian government by nearly US$ 14 million each year, which could be used for public purposes, said Stuart McWilliam, manager of the climate change campaign for Global Witness, as stated on CNBC Indonesia Thursday, June 4, 2019. The Asian Agri Group company also conducted the Transfer Pricing case in Indonesia. This case was the strongest after Vincent, who served as the group financial controller, deliberately came to the Corruption Eradication Commission to disclose finances. The AAG company, with some evidence documents entitled "AAA-Cross Border Tax Planning (Under Pricing of Export Sales),” compiled around 2002. This document details all of PT AAG's transfer pricing preparations and reveals tax irregularities committed by PT AAG, namely by pumping up company costs of up to IDR 1.5 trillion. The investigation also found that PT AAG had increased export transaction losses by Rp 232 billion and understated sales by Rp 889 billion. Through this mode, Asian Agri is suspected of evading income tax for business entities totaling Rp. 2.6 trillion during the 2002-2005 annual tax return period. The latest calculations state that tax evasion is suspected to have the potential to cause losses to state finances of up to Rp. 1.3 trillion.

Due to the reduced potential for tax revenue from the transfer pricing scheme, the Directorate General of Taxes has two approaches that become the DGT's authority to make tax corrections on affiliated companies. The first is a Special Relationship, regulated in Article 18 of Law Number 36 of 2008 concerning PPh, which is categorized as a company with a special relationship, namely a minimum capital investment of 25%, management linkages, and family relations of equal blood and

relatives. If the company cannot provide supporting evidence of the fairness of the transaction price, the Director General of Taxes will determine a fair transaction price between affiliated parties. The second is the fair and customary price approach (Arm's Length principle). Transactions between affiliated parties ideally show fairness and differences in selling prices that are not too significant at market selling prices, while what is meant by commonplace is that business and the occurrence of transactions by affiliated companies are considered not to violate regulations. Article 18, paragraph (2) of the Income Tax Law confirms the application of the Arm's length price by giving the Director General of Taxes authority to recalculate fiscal profits and determine debt as capital if there is a transaction between parties who have a special relationship. For the operationalization of Article 18 paragraph (2) referred to, SE No.04/PJ.7/1993 was issued. Moreover, this circular letter refers to the 1979 OECD Transfer Pricing Guidelines. General transfer pricing regulations are regulated in Article 18 of Law Number 36 of 2008 concerning Income Tax (UU PPh). Article 18 paragraph (3) of the Income Tax Law states that the Directorate General of Taxes (DGT) has the authority to redefine the amount of Taxable Income for taxpayers who have a special relationship with other taxpayers following the fairness and customary business practices that are not influenced by special relationships by using the price comparison method between independent parties, the resale price method, the cost method, or other methods (Vinola & Anne, 2017).

Some case examples above show that income tax influences company decisions to carry out transfer pricing. This is in line with research conducted by Anisa & Naniek (2018), which proves that income tax has a positive effect on transfer pricing indications, and research by Marfuah & Azizah (2014) proves that income tax has a significant negative effect on companies to carry out transfer pricing. Meanwhile, Mispiyanti (2015) proved that taxes do not significantly affect companies carrying out transfer pricing. Looking at the variables raised in previous research, there needs to be more consistency in the research results on companies' decisions to carry out transfer pricing.

Another thing that can influence transfer pricing decisions is Tunneling Incentives, which are practices by controlling shareholders to transfer company profits to personal accounts while still charging fees to minority shareholders (Anthony et al., 2010) or are transfers of company assets from a subsidiary in one country to a subsidiary or holding company in another country. This practice of tunneling incentives includes not paying dividends, selling company assets to controlling shareholders, or companies controlled by controlling shareholders at a lower price than the price should be. Power and company keys are occupied by controlling shareholders so that the tunneling process can be done more easily (Sani et al., 2018). The company aims to avoid large taxes by carrying out the above practices. This is in line with research by Sri & Sistya (2019), proving that tunneling incentives have a significant positive effect on companies carrying out transfer pricing, and research by Setyorini & Nurhayati (2020), proving that tunneling incentives have a significant negative effect on companies implementing transfer pricing practices. Meanwhile, research (Ayshinta et al., 2019) proves tunneling incentives do not affect companies carrying out transfer pricing.

Other research proves that the bonus mechanism factor has a significant positive effect on transfer pricing, namely by Vinola & Anne (2017), and Putri & Saifudin's research (2017) states that the bonus mechanism factor has a significant negative effect on transfer pricing. Bonuses motivate managers to manage earnings for shareholders so that managers will try to increase profits and minimize company

costs to get high bonuses. Through the company's bonus plan, managers will tend to choose the right accounting method, which can shift profits from one company to other related subsidiaries. However, research by Khaerul & Nanang (2020) shows that the bonus mechanism does not affect transfer pricing.

Researchers also use profitability as a moderating variable because profitability is a performance indicator carried out by management in managing company assets as indicated by the profit generated. The higher the company's profit, the more likely the company is to practice transfer pricing. Transfer pricing transactions are also an advantage for the company to support the company's operational performance, which can benefit shareholders. With transfer pricing, companies can adjust prices for transactions between related company divisions (Anisa & Naniek, 2018).

LITERATURE REVIEW

Transfer Pricing

Transfer pricing is usually used for the policy of an entity or company in determining transaction prices between related companies. Although transfer pricing is a neutral term, transfer pricing is often interpreted as an effort to reduce taxes by shifting profits to companies in other related countries where the company's tax rate is lower. So, to the tax authorities, transfer pricing is considered tax management influenced by related parties not following tax regulations. Many previous researchers have put forward the definition of transfer pricing. As stated by Yuniar (2018: 26), defining the notion of transfer pricing in a business transaction, there will be irregular prices, costs, or rewards caused by the presence of related parties.

Income tax

PSAK No. 46 (2019) explains that the tax burden is a tax charged to individual or corporate taxpayers that must be paid to the state as state revenue. Every taxpayer must participate in realizing the state's goals, namely implementing state development. However, tax burdens these taxpayers because it will reduce their income. Therefore, many people or taxpayers do tax avoidance.

Tunneling Incentive

Tunneling incentives are activities of transferring company assets and profits carried out by majority shareholders, but minority shareholders share the burden (Hidayat et al., 2019). An entity that includes 20% or more of its capital is considered to have a significant influence on other entities, either directly or indirectly (PSAK No. 15). Investors who include more than 20% of their capital are considered to have a significant influence on a company so that these investors can be said to be the majority shareholder. According to Susanti & Firmansyah (2018), when the majority shareholder owns shares in another company that is still in the same group, it will trigger tunneling incentive activities through a transfer pricing mechanism to determine companies that are still under their auspices which aims to benefit the majority shareholder.

Bonus Mechanism

Mispiyanti (2015) defines the bonus mechanism as a strategy or motive in accounting calculations that aim to reward managers based on profits the company earns. Managers want to show the company owner good performance to get an award. At the same time, according to Wafiroh & Hapsari (2015), the bonus mechanism is a component of calculating the number of bonuses given by company owners to managers who are considered able to work well every year and when the company makes a profit. The bonus given is a reward outside the salary of managers who are seen based on their work performance.

Profitability

Sari & Mubarok (2017) explain profitability as an indicator of management performance. Profitability is a company's ability to profit in a certain period (Cahyadi & Noviari, 2018). Companies with more profits tend to be involved in tax avoidance transactions, including transfer pricing. Transfer pricing transactions are used by companies to support the company's operational performance to benefit shareholders. By carrying out transfer pricing transactions, companies can adjust transfer prices made between divisions of related companies (Richardson et al., 2013). Profitability can be defined as the company's ability to earn a profit (profit) during a certain period. Companies that earn high profits must also pay high taxes because the amount of profit earned is a measure to pay the company's tax burden. In contrast, companies that experience losses are not subject to tax. The higher the profit the company earns, the higher the company's tendency to be involved in transfer pricing transactions.

Framework

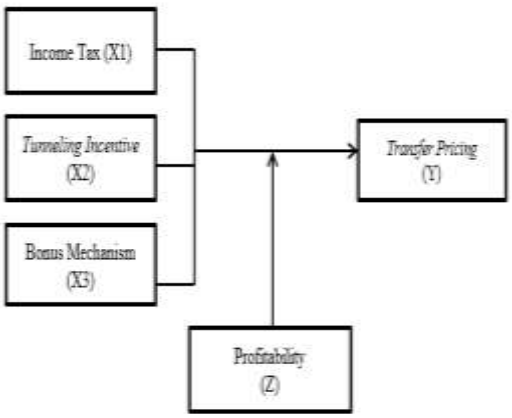

Figure 1. Framework

HI: Income Tax has a positive effect on transfer pricing.
H2: Tunneling Incentive has a positive effect on transfer pricing.
H3: The Bonus Mechanism has a positive effect on transfer pricing
H4: Profitability can moderate the effect of income tax on transfer pricing
H5: Profitability can moderate the effect of income tax on transfer pricing
H6: Profitability can moderate the effect of the bonus mechanism on transfer pricing

MATERIALS & METHODS

Research design guides the research process, including data collection instruments, determining samples, data collection, and data analysis. The design of this study uses explanatory research, which is a type of research in which the researcher explains the causal relationship between variables through hypothesis testing. Then the data obtained is calculated using a quantitative approach. Casual research examines the relationship between the independent variables of the income tax burden, tunneling incentives, and bonus mechanisms to the dependent variable of transfer pricing and disclosure of profitability as a moderating variable in manufacturing companies listed on the IDX from 2016-2020.

The sample is a small part of the population. The sampling technique, namely purposive sampling, is a sampling technique by determining certain criteria (Sugiyono, 2008). From selecting selected data samples, 46 companies met the criteria to be used as research objects. The sample selection criteria are as follows:

1. Manufacturing companies listed on the Indonesian stock exchange from 2016-2020.
2. Manufacturing companies that consistently publish their financial reports from 2016-2020.
3. Manufacturing companies that profit or not lose from 2016-2020.
4. Manufacturing companies that present their financial reports in rupiah for 2016-2020.
5. Multinational manufacturing companies with parent or subsidiary

companies in other countries from 2016-2020.

RESULT

Classic assumption test

Normality test

In this study, the normality test for residuals used the Shapiro-Wilk (SW) test.

a) The normality assumption is met if the probability value is 0.05.
b) The normality assumption is unmet if the probability value is <0.05.

Table 1. Normality Test with the Shapiro-Wilk Test

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
data_resid~l	230	0.98870	1.985	1.493	0.06772

Source: Processed by STATA software

Based on Table 1, it is known that the probability value (column Prob > z) is 0.06772. Because the probability value, which is 0.06772, is greater than the significance level, which is 0.05. This means that the normality assumption is met.

Multicollinearity Test

In this study, multicollinearity symptoms can be seen from the VIF value. Ghozali (2013) states that if the VIF value is > 10, this is an indication of multicollinearity. The multicollinearity test results are presented in Table 2.

Table 2. Multicollinearity Test with VIF

Variable	VIF	1/VIF
X3	1.00	0.996896
X1	1.00	0.997085
X2	1.00	0.999781

Source: Processed by STATA software

Based on Table 2, the results of the multicollinearity test, it can be concluded that there are no signs of multicollinearity between the independent variables. This is because the VIF value <10 (Ghozali, 2013).

Autocorrelation Test

Assumptions regarding the independence of the residuals (non-autocorrelation) can be tested using the Runs test. If the probability value of the Runs test > 0.05, it is concluded that there is no autocorrelation.

Table 3. Autocorrelation Test with Runs Test

```
. runtest data_residual
 N(data_resid~l <= .3780361115932465) = 115
 N(data_resid~l >  .3780361115932465) = 115
                  obs = 230
              N(runs) = 118
                    z  = .26
           Prob>|z| = .79
```

Source: Processed by STATA software

Based on Table 3, the probability value (Prob > |Z|) of the Runs test is 0.79 > 0.05. It is concluded that there is no autocorrelation.

Heteroscedasticity Test

Detection of the presence or absence of heteroscedasticity can be done using the Breusch-Pagan test. Table 5.5 presents the results of the heteroscedasticity test using the Breusch-Pagan test. If the probability value of the Breusch-Pagan test is > 0.05, then there is no heteroscedasticity.

Table 4. Heteroscedasticity Test with the Breusch-Pagan Test

```
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of ny

         chi2(1)      =    2.63
         Prob > chi2  =   0.1049
```

Source: Processed by STATA software

Based on the results of the Breusch-Pagan test in Table 4., the value of p = 0.1049 > 0.05 was obtained, and it was concluded that there was no heteroscedasticity.

Model Significance Test

Determination of the Estimation Model between the Common Effect Model

(CEM) and the Fixed Effect Model (FEM) with the Chow Test

The Chow test determines whether the CEM or FEM estimation model is used to form a regression model. The hypothesis tested is as follows. The CEM model is better than the FEM model. The FEM model is better than the CEM model. The following results are based on the Chow test using STATA.

Table 5. Results of the Chow Test

F(45, 181) = 0.79
Prob > F = 0.8217

Source: Processed by STATA software

Rules for making decisions on the hypothesis are as follows:

a) If the probability value < 0.05, it is rejected and accepted.
b) If the probability value is 0.05, it is accepted and rejected.

Based on the results of the Chow test in Table 5, it is known that the probability value = 0.8217 > 0.05, and the estimation model used is the common effect model (CEM). Furthermore, because the selected model is the common effect, it is necessary to do the Lagrange test to determine whether the common or random effect model will be used in the study.

Determination of the Estimation Model between the Common Effect Model (CEM) and the Random Effect Model (REM) with the Lagrange Test

The Lagrange test determines whether the CEM or REM estimation model is used to form a regression model. The following results are based on the Lagrange test using STATA.

Table 6. Results of the Lagrange Test

Test: Var(u) = 0
chibar2(01) = 0.00
Prob > chibar2 = 1.0000

Source: Processed by STATA software

Based on the results of the Lagrange test in Table 6, it is known that the probability value is 1,000 > 0.05, so the model chosen is the common effect model (CEM).

Hypothesis Test

Testing the hypothesis with panel data regression analysis in this study aims to determine the effect of Income Tax, Tunneling Incentives, and Bonus Mechanisms on Transfer Pricing in manufacturing companies listed on the Indonesia Stock Exchange in 2016-2020. Before the model selection test, the data in this study had passed the classical assumption test, so the estimation results were consistent and unbiased. Furthermore, based on the model selection test, the results show that the model that should be used is the Common Effect Model. Statistical values of the coefficient of determination and t-test are presented in Table 7.

Table 7. Common Effect Model (CEM) Regression Results

Source	SS	df	MS	Number of obs	=	230
				F(3, 226)	=	9.32
Model	512.550757	3	177.516919	Prob > F	=	0.0000
Residual	4303.78991	226	19.0433102	R-squared	=	0.1181
				Adj R-squared	=	0.0983
Total	4836.34067	229	21.1193916	Root MSE	=	4.3639

ny	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
X1	-.4398653	.1773785	-2.48	0.014	-.7893925	-.0903381
X2	-1.266944	.3508772	-3.61	0.000	-1.958353	-.5755345
X3	-1.113586	.4031347	-2.76	0.006	-1.907969	-.3192023
_cons	1.691883	.5408126	3.13	0.002	.6263832	2.757383

Source: Processed by STATA software

Analysis of the Coefficient of Determination

Based on Table 7, it is known that the coefficient of determination (R-squared) is. This value can be interpreted that the variable Income Tax (X1), Tunneling Incentive (X2), and Bonus Mechanism (X3) can explain or explain the Transfer Pricing Decision (Y) variable of 11.01%, other factors influence the remaining 88.99%.

Partial Significance Test (t-test)

The t-statistical test aims to test how each independent variable influences the

dependent variable partially. An independent variable has a partial effect if it has a significance value of less than 0.05. The following equation is obtained based on the test results in Table 7.

Y = 1.691 – 0.439X1 – 1.266X2 – 1.113X3 + e

Test results t-test based on Table 7. can be concluded as follows:

1) Effect of Income Tax on Transfer Pricing Decisions.
   Based on the partial test obtained from Table 7, it can be seen that the probability value of the Income Tax variable is 0.014 <0.05. These results indicate that the income tax variable significantly affects transfer pricing decisions with a coefficient value of -0.439, which means that the income tax variable significantly negatively affects transfer pricing decisions.
2) The Effect of Tunneling Incentives on Transfer Pricing Decisions.
   Based on the partial test obtained from Table 7, it can be seen that the probability value of the Tunneling Incentive variable is 0.000 <0.05. These results indicate that the tunneling incentive variable significantly affects transfer pricing decisions with a coefficient value of -1.266, which means that the tunneling incentive variable significantly negatively affects transfer pricing decisions.
3) Effect of Bonus Mechanism on Transfer Pricing Decisions.
   Based on the partial test obtained from Table 7, it can be seen that the probability value of the Bonus Mechanism variable is 0.006 <0.05. These results indicate that the bonus mechanism variable significantly affects transfer pricing decisions with a coefficient value of -1.113, which means that the bonus mechanism variable significantly negatively affects transfer pricing decisions.

Moderation Testing

Furthermore, moderation testing is carried out, namely testing whether Profitability (Z) significantly moderates the effect of Income Tax (X1), Tunneling Incentives (X2), and Bonus Mechanisms (X3) on Transfer Pricing Decisions (Y). Table 8. presents the results of the moderation test.

Table 8. Moderation Test Results

Source	SS	df	MS	Number of obs	=	230
				F(7, 222)	=	4.03
Model	545.775442	7	77.9679203	Prob > F	=	0.0004
Residual	4290.56523	222	19.3268704	R-squared	=	0.1128
				Adj R-squared	=	0.0849
Total	4836.34067	229	21.1193916	Root MSE	=	4.3962

ny	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
X1	-.4218175	.1959468	-2.15	0.033	-.8071713	-.0364638
X2	-1.235858	.5082408	-2.43	0.016	-2.237452	-.2342639
X3	-1.185957	.4889891	-2.43	0.016	-2.149612	-.222303
Z	-1.366588	2.797796	-0.49	0.626	-6.880226	4.147049
X1Z	-1.982743	7.066596	-0.28	0.779	-15.90894	11.94345
X2Z	-.2857939	4.38978	-0.07	0.948	-8.936766	8.365178
X3Z	.5738891	2.385145	0.25	0.804	-3.968867	5.116665
_cons	1.832615	.5952899	3.06	0.003	.6515902	3.01364

Source: Processed by STATA software

The following moderation equation is obtained based on the results of the moderation test in Table 8.

Y = 1.832 - 0.421X1 - 1.235X2 - 1.185X3 - 1.136Z - 1.982X1Z - 0.285X2Z + 0.573X3Z + e

The results of the moderation test based on Table 8. can be concluded as follows:

1. X1Z is the interaction of Profitability (Z) with Income Tax (X1), with a significance value of 0.779 greater than 0.05. So, it can be concluded that Profitability (Z) is not able to moderate the effect of Income Tax (X1) on Transfer Pricing Decisions (Y).
2. X2Z is the interaction of Profitability (Z) with the Tunneling Incentive (X2), which has a significance value of 0.948, greater than 0.05. So, it can be concluded that Profitability (Z) is not able to moderate the effect of the Tunneling Incentive (X2) on Transfer Pricing Decisions (Y).
3. X3Z is the interaction of Profitability (Z) with the Bonus Mechanism (X3),

which has a significance value of 0.804, greater than 0.05. So, it can be concluded that Profitability (Z) is not able to moderate the Bonus Mechanism (X3) on Transfer Pricing Decisions (Y).

CONCLUSION

Based on the research results, it can be concluded that:

1. Income tax significantly negatively affects transfer pricing decisions for manufacturing companies on the IDX in 2016-2020.
2. Tunneling Incentive significantly negatively affects transfer pricing decisions for manufacturing companies on the IDX in 2016-2022.
3. The Bonus Mechanism significantly negatively affects transfer pricing decisions in manufacturing companies on the IDX in 2016-2020.
4. Profitability cannot moderate the relationship between income tax and transfer pricing decisions on the IDX in 2016-2020.
5. Profitability cannot moderate the tunneling incentive relationship to transfer pricing decisions on the IDX in 2016-2020.
6. Profitability cannot moderate the relationship between the bonus mechanism and transfer pricing decisions on the IDX in 2016-2020.

RESEARCH LIMITATIONS

1. The low R Squared value of only 11.1% indicates that 88.99% of other variables significantly influence transfer pricing.
2. This study has Limitations of proxies or measurements in measuring tunneling incentive and Bonus Mechanism variables.
3. This study only uses samples from manufacturing companies, so the results cannot be generalized to other corporate sectors.

IMPLICATIONS

Based on the conclusions and limitations of the research mentioned above, the researcher provides the following implications:

For further research:

1. It is expected to add to the category of companies that will be used as research samples, for example, all companies listed on the Indonesia Stock Exchange (IDX), to make the research results more generalizable.
2. For future researchers to add other variables that are identified to affect transfer pricing due to the low R Square value produced in this study. Other variables include Corporate Governance, Exchange Rate, Company Size, Multinational, and others.
3. The results of this study can be used as a reference for the government in determining policies related to corporate governance to minimize transfer pricing efforts by companies.

Declaration by Authors

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