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How is Transfer Pricing in Indonesia's Basic Material Cyclical, Non-Cyclicals, Industrials, and Healthcare Sector?

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Abstrak

Mengetahui dampak pajak, ukuran perusahaan, nilai tukar, dan mekanisme bonus terhadap *transfer pricing* pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia tahun 2017-2021 merupakan tujuan dari penelitian ini. Penelitian ini menggunakan metode kuantitatif. *Purposive Sampling* adalah metode pilihan, dan ukuran sampel untuk penyelidikan ini adalah 100 data secara total. Dengan menggunakan program Eviews9, teknik analisis yang digunakan adalah analisis statistik deskriptif, uji asumsi klasik, analisis regresi berganda, uji koefisien determinan, uji F, dan uji T. Berdasarkan hasil pengujian diketahui bahwa pajak, ukuran bisnis, nilai tukar, dan metode bonus semuanya mempengaruhi harga transfer secara bersamaan. Secara parsial variabel ukuran perusahaan berpengaruh terhadap *transfer pricing*, dan variabel pajak, nilai tukar, dan mekanisme bonus tidak berpengaruh terhadap *transfer pricing*.

Kata Kunci: *Transfer Pricing,* Pajak, Ukuran Perusahaan, *Exchange Rate*, Mekanisme Bonus

Abstract

Determine the impact of taxes, firm size, exchange rate, and bonus mechanisms on transfer pricing in manufacturing companies listed on the Indonesia Stock Exchange in 2017–2021 is the aim of this study. This study used a quantitative method. Purposive sampling was the method of choice, and the sample size for this investigation was 100 data in total. With the use of the Eviews9 program, the analytical technique employed is descriptive statistical analysis, a traditional assumption test, multiple regression analysis, a determinant coefficient test, a F test, and a T test. Based on the test results, it was discovered that tax, business size, exchange rate, and bonus method all affect transfer pricing simultaneously. Partially, the variable size of the company has an effect on transfer pricing, and the variables of tax, exchange rate, and bonus mechanism have no effect on transfer pricing.

Keywords: *Transfer Pricing, Taxes, Firm Size, Exchange Rate, Bonus Mechanism*

Introduction

Globalization blurs the boundaries between countries and accelerates economic growth as well as tightens business competition in the business world. Many companies set up branches and representatives abroad to expand market share and strengthen their global base (Riskawati 2021)

Companies that have subsidiaries have difficulty determining transfer prices between companies because in a normal transaction cycle involving parties without special relationships, price formation is determined by market forces. However, if the transaction involves special relationship, then there is a possibility that the price formed will be unreasonable because market forces do not apply properly so that the company will do the practice of transfer pricing to determine the price of the transaction (Cledy and Amin 2020). Pricing between groups is called transfer pricing (Panjalusman, Nugraha, and Setiawan 2018).

Transfer pricing cases have occurred in PT Adaro Energy Tbk (ADRO) which is a company engaged in the mining industry and has subsidiaries abroad that conduct business operations to market coal on a global scale. PT Adaro Energy Tbk (ADRO) is allegedly evading taxes by moving revenues and earnings outside of Indonesia. Global Witness claims that this is accomplished by selling coal to Adaro's subsidiary in Singapore, Coaltrade Services International, at an unfair price (below the fair market price), which is then resold at a premium. Adaro was able to lower its tax burden in Indonesia in this way. In the Global Witness investigation, a network of international businesses disclosed that PT. Adaro Energy Tbk (ADRO), through one of its three Singapore-based subsidiaries, Coaltrade Services International, has paid US$ 125 million less over the period of 2009-2017. (Asmara 2019).

The disparity in tax rates between nations is one of the factors that contribute to transfer pricing practices. As a result, businesses look for different ways to reroute their income to reduce their overall tax liability. One such strategy is to use this transfer pricing practice. Because of this, people make an effort to minimize their tax liability. Although it is based on the knowledge that taxes are crucial for a nation since they contribute significantly to governmental revenue that is utilized to ensure the welfare of its citizens (Irawati et al. 2020).

Company size is another element that affects transfer pricing. The potential for transfer pricing to occur decreases with organization size. Large corporations are more cautious and less inclined to engage in profits management and transfer pricing since they receive more attention from the public and interested parties (Cledy and Amin 2020); (Wahyudi and Fitriah 2021). Smaller businesses, nevertheless, are said to have a propensity to shift prices in order to demonstrate sufficient performance.

Exchange rates might have an impact on a company's decision to use transfer pricing. The exchange rate is the rate at which the currencies of one country and another are exchanged for the purpose of making payments now and in the future. By shifting money to currencies with strong exchange rates through transfer pricing, multinational corporations strive to lower the risk of currency fluctuations (Chan, Landry, and Jalbert 2004).

The bonus mechanism is another aspect that encourages businesses to transfer pricing. The bonus is a reward given to the manager by the business owner if the company's profit target is met. The management of profit engineering will be impacted by this bonus mechanism (Wafiroh and Hapsari 2015). In order to maximize the bonuses they will receive, managers have a tendency to adopt activities that regulate net income. among other ways, by using transfer pricing.

The goal of this study is to evaluate and demonstrate the impact of tax, firm size,

exchange rate, and bonus mechanism on transfer pricing. This is in line with the aforementioned reasoning. This study adds the variables of Tax and Company Size which are still little used in previous studies on Transfer Pricing and uses updated company data that is until 2021 to be able to provide up-to-date and relevant results.

Literature Review and Hypotheses

Effect of Tax, Firm Size, Exchange Rate and Bonus Mechanism on Transfer Pricing

Companies with special relationships engage in transfer pricing techniques (Wafiroh and Hapsari 2015); (Gusnardi, n.d. 2009). The second point is the particular relationship described in Article 18 paragraph 4 of Law Number 36 Year 2008, which is that one taxpayer controls another taxpayer or that two or more taxpayers are directly or indirectly under the same control. Transferring costs to a nation with a higher tax rate and moving income to one with a lower tax rate are the two main methods used in the practice of transfer pricing (Panjalusman et al., 2018).

A corporation's decision to use transfer pricing may be influenced by taxes, company size, exchange rates, and bonus mechanism (Andayani dan Sulis, 2020). Companies will employ transfer pricing to reduce their tax burden (Khotimah 2018) Because the corporation decides to employ transfer pricing because the more the income from the company, the bigger the tax burden that must be paid by the company. A company's decision to use transfer pricing may also depend on its size (Islam et al. 2019). The currency rate is another aspect that has an impact on transfer cost. Transfer pricing policies are a way to guarantee that there will always be enough money available to make payments because the value of each currency used by multinational organizations varies, (Ayshinta, Agustin, & Afriyenti, 2019). Companies are influenced to transfer prices by the bonus system. This bonus structure will influence management's ability to manipulate profitability (Nani & Vinahapsari, 2020).

According to agency theory, the state (fiscus), which has an interest in collecting taxes from the company, and the company owner, who owns the business, have different interests. And in order to save agency expenses, large corporations might disclose more information. The use of transfer pricing methods is carried out to decrease risk in the exchange rate or exchange rate because human nature, which performs numerous ways to reduce existing risks, is also explained in agency theory. According to the bonus plan hypothesis of positive accounting theory, firm managers essentially desire a huge incentive from the company and one way to achieve this is by manipulating reported results. The manager is free to select the accounting system that maximizes reported profits by using transfer pricing if the supervisory committee does not agree to it.

H1 : Taxes, Firm Size, Exchange Rate and Bonus Mechanism affect Transfer Pricing.

Tax on Transfer Pricing

Conflicts resulting from transfer pricing include those in the area of taxation. Because of the transfer of corporate profits from high tax countries to low tax or tax haven countries, transfer pricing practices can have an impact on state income. From a business perspective, organizations that use transfer pricing techniques can reduce the costs that the company will spend, particularly when it comes to paying taxes. According to earlier studies, taxes have a favorable impact on transfer pricing (Cledy and Amin 2020). This is consistent with a study by (Refgia 2017). But the two studies above are inversely proportional to the research conducted (Wulandari et al. 2021) which states that taxes have no effect on transfer pricing.

According to agency theory, the state (fiscus), which has an interest in collecting taxes from the company, and the company

owner, who owns the business, have different interests. The amount of tax paid will depend on the company's profit, and the tax will lessen the portion of profit distributed to the owners (Irawati et al. 2020). Providing information that is implemented by corporate leaders as a business principle is based on agency theory, which seeks to eliminate information asymmetry. in order to reduce the amount of tax paid or to direct it to nations with lower tax rates (Wulandari et al. 2021)
H2 : Taxes Affect Transfer Pricing.

Firm Size on Transfer Pricing
In terms of equity value, sales value, or asset value, a company's size is described. The size of a firm refers to the scope of its resources (Muhammadinah. 2016). The number of transfer pricing procedures used by the business might also be influenced by its size (Wahyudi and Fitriah 2021). While smaller businesses are thought to prefer transfer pricing to demonstrate satisfactory performance, large companies' managers are more cautious and transparent in their financial reporting because in large companies, many parties use the financial statements, one of which is the public or the public. These huge company managers lack the drive to manage earnings, including through transfer pricing (Khotimah 2018); (Wahyudi and Fitriah 2021).

According to agency theory, large organizations incur higher agency costs than small companies (Jensen and Meckling 1976). Big businesses may be more open with their information in an effort to reduce agency costs. Limited access to shareholder information is a result of company size. Managers are permitted by shareholders to actively participate in the management of the company. There is a positive correlation between firm size and transfer pricing, according to earlier study by (Nazihah Azwardi et al., 2019). Khotimah (2018) research also indicates that firm size has a negative effect on transfer pricing. According to Yulia, Hayati, and Daud (2019), who contend that firm size has no bearing on transfer pricing, the results of these two research are in sharp contrast to their assertions.
H3 : Firm size has an effect on Transfer Pricing.

Exchange Rate on Transfer Pricing
Multinational corporations employ a variety of currencies when transacting to avoid damaging the business when paying for goods or services. Whereas the value of each currency tends to be influenced by the dollar's fluctuating value over time (Sarifah, Probowulan, & Maharani, 2019) Multinational corporations maximize their tax management by moving revenues and earnings to other nations through transfer pricing techniques as a result of variations in tax rates that apply to different countries (Saraswati and Sujana 2017).

According to agency theory, which makes the assumption that people naturally seek to minimize risk, management typically uses transfer pricing to transfer funds to a stronger currency in order to lower the risk associated with exchange rates. Transfer pricing procedures will be impacted by different exchange rates. Due to this, businesses will decide to transfer pricing choices to nations with stronger currencies and/or exchange rates. Transfer pricing was unaffected by the exchange rate, according to earlier studies (Rahayu, Masitoh, and Wijayanti, 2020). Studies Ayshinta et al. (2019), Marfuah & Azizah (2014) claim that the exchange rate has a favorable effect on transfer pricing.
H4: Exchange Rate affects Transfer Pricing.

Bonus Mechanism on Transfer Pricing
The bonus mechanism is a part of determining the amount of bonuses provided by business owners or shareholders to board members who perform well, preventing their nature from becoming fixed (Mineri and Paramitha 2021). The board of directors' standing with

the company's owner improves as profits rise. The technique for rewarding directors or managers in businesses is typically based on profit (Wafiroh and Hapsari, 2015) Directors can therefore improve earnings by offering goods to a number of businesses at a discount from market value.

Net income is a benchmark for managers to receive bonuses based on, and can also be seen from, the amount of desired growth in net income. The bonus mechanism is a payment gained by the manager from the firm owner for meeting work targets. It makes sense for managers to report as much net income as possible if the bonuses they earn are based on the realization of the company's overall profit. The study finds that the bonus mechanism has little effect on transfer pricing (Refgia 2017). Ayshinta Patriot Jaya (2019)'s analysis found that the Bonus Mechanism has little to no influence on decisions regarding transfer pricing. In contrast, research by Tania and Kurniawan (2019), Wafiroh and Hapsari (2015) asserts that the bonus mechanism significantly affects judgments about transfer pricing.

According to the bonus plan hypothesis of positive accounting theory, firm managers essentially desire a sizable incentive from the business. One way to achieve this is by manipulating reported earnings. According to Ross L. Watts. and Jerold L. Zimmerman (1990), active accounting theory aims to describe and clarify the accounting process from its conception to the present, as well as how accounting information is presented for communication with other stakeholders within the firm. If the owner has plans to give bonuses, managers must adapt to the accounting practices used to optimize profit for the present period. It seems sense that the manager would declare a high net income if the bonus the manager receives is based on the success of the company's total profit. If the supervisory committee does not adjust to the chosen method, the manager is free to choose the accounting method that maximizes reported profits by practicing transfer pricing.

H5: The Bonus Mechanism affects Transfer Pricing.

Research Method

Associative quantitative research was employed in this study to examine the impact of the independent variable on the dependent variable. To test the hypothesis, the analytical approach employed in this study is panel data regression analysis and quantitative descriptive analysis.

Basic material, cyclical, non-cyclicals, industrials, and healthcare businesses registered on the Indonesia Stock Exchange from 2017 to 2021 make up the research population. Based on a set of criteria, the purposive sampling approach was employed to pick the sample. Based on these standards, a sample of 20 businesses was collected, resulting in 100 data points for the research sample. Documentation and library procedures were used to obtain the data for this study, and the analytical tool that was employed was with the assistance of E-Views version 9.

Table 1
Operational Variables

No.	Variable Type	Variable Name	Measurement	Scale
1.	Dependent Variable	Transfer Pricing (Y)	*Transfer Pricing* = Related Parties Receivable/ Total Receivables (Khotimah 2018)	Rasio
2.	Independent Variable	Taxes (X1)	ETR= $\frac{income\ Tax\ Expense}{Pre\ Tax\ Income}$ (Cledy and Amin 2020)	Rasio
3.	Independent Variable	Firm Size (X2)	Company Size =LOG (Total Aset) (Refgia 2017)	Rasio
4.	Independent Variable	Exchange Rate (X3)	*Exchange Rate* = Profit / loss on foreign exchange / Profit / loss before tax (Ayshinta et al. 2019)	Rasio
5.	Independent Variable	Bonus Mechanism (X4)	$ITRENDLB = \frac{Net\ Income\ t}{Net\ Income\ t-1}$ (Wulandari et al. 2021)	Rasio

Source: Data Processed

Research Results and Discussion

Descriptive statistics

Table 2
Statistics Descriptive

	Transfer Pricing	Taxes	Firm Size	Exchange Rate	Bonus Mechanism
Mean	0.295213	0.296301	25.44241	0.095521	1.257186
Median	0.184536	0.250506	24.59070	0.030065	1.130642
Maximum	0.983538	2.052633	30.87621	1.580558	5.345854
Minimum	0.005028	0.075440	21.61663	0.001889	0.039549
Std. Dev.	0.295210	0.230347	2.649735	0.234122	0.679967
Skewness	0.861696	5.376906	0.563969	4.899904	2.593130
Kurtosis	2.482990	37.65880	1.956968	28.37938	15.04880
Jarque-Bera	13.48908	5486.987	9.834007	3083.956	716.9619
Probability	0.001177	0.000000	0.007321	0.000000	0.000000
Sum	29.52127	29.63013	2544.241	9.552102	125.7186
Sum Sq. Dev.	8.627745	5.252931	695.0885	5.426500	45.77321
Observations	100	100	100	100	100

Source: Data Processed With Eviews 9

The mean of each variable, including transfer pricing, taxes, company size, exchange rate, and bonus system, can be seen in the table above. The mean for transfer pricing is 0.295213, taxes are 0.296301, company size is 25.44241, exchange rate is 0.095521 and bonus mechanism is 1,257186 . While the median value for each variable is 0.184536 for transfer pricing, 0.250506 for tax, 24.59070 for company size, 0.030065 for exchange rate, and 1.130642 for bonus mechanism. Additionally, it can be noted that taxes have a maximum value of 2.052633 and a minimum value of 0.075440, company size has a maximum value of 30.87621 and a minimum value of 21.61663, and transfer pricing has a maximum value of 0.983538 and a minimum value of 0.005028, the exchange rate has a maximum value of 1.580558 and a minimum value of 0.001889 and the bonus mechanism has a maximum value of 5.345854 and a minimum value of 0.039549. The sum (total) of each variable is transfer pricing 29.52127, tax 29.63013, firm size 2544.241, exchange rate 9.552102 and bonus mechanism 125.7186.

Data Panel Regression Model

Table 3
Result of Panel Data Regression Model Test

No.	Method	Test	Result
1	Uji Chow	Common Effect vs Fixed Effect	Fixed Effect
2	Uji Hausman	Fixed Effect vs Random Effect	Fixed Effect
3	Uji Larange Multiplier	Common Effect vs Random Effect	Random Effect

Source: Data Processed With Eviews 9

Table 3 allows for the conclusion that the Fixed Effect Model is the most appropriate model to apply when estimating the transfer pricing variables of tax, business size, exchange rate, and bonus method.

Panel Data Regression Analysis

Table 4
Estimation Result of Fixed Effect Model (FEM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.197347	0.388386	5.657645	0.0000
Tax	-0.004623	0.023656	-0.195430	0.8456
Firm Size	-0.074713	0.015244	-4.901041	0.0000
Exchange Rate	-0.024098	0.022273	-1.081966	0.2827
Bonus Mechanism	0.001913	0.006448	0.296693	0.7675

Source: Data Processed With Eviews 9

The regression equation is as follows:

$Y = \alpha + \beta X1 + \beta X2 + \beta X3 + \beta X4$

Y = (2.197347) - 0.004623 (X1) - 0.074713 (X2) - 0.0240998 (X3) + 0.001913 (X4)

The study's findings show that the constant value achieved is 2.197347, which suggests that the transfer pricing amount is 2.197347 if the tax, company size, exchange rate, and bonus mechanism are all 0. Regression coefficient for tax is -0.004623, company size is -0.074713, and exchange rate is -0.024998; this indicates that the transfer

pricing variable will decrease if the variable increases by 1 point. if the other factors stay the same. The bonus mechanism has a regression coefficient of 0.001913, which indicates that if all independent variables are held constant, transfer pricing will increase by 0.001913 if the bonus mechanism increases by 1 point.

From the same table, the t-test results are as follows:

Table 5
T-Test and F-Test Results

No.	Method	Result	Conclusion
1	t-Test (Partial)	The independent variable of tax, exchange rate and bonus mechanism have a profitability value > 0.05 The independent variable firm size has a profitability value <0.05	Conclusion: tax, currency rate, and bonus mechanism variables have no bearing on transfer pricing. We conclude that transfer pricing is impacted by the company size variable.
2	F Test (Simultan)	Prob value (F statistic) of 0, 000000 is smaller than 0.05	Transfer pricing is a dependent variable that is simultaneously impacted by the independent variables of taxes, firm size, exchange rate, and bonus mechanism.

Source: Author's Results, 2022

Coefficient of Determination (R2)

Table 6
Results of the Coefficient of Determination (R2)

	Weighted Statistics		
R-squared	0.990304	Mean Dependent Var	0.438354
Adjusted R-squared	0.987370	S.D. dependent var	0.516917
S.E. of regression	0.067356	Sum squared resid	0.344795
F-statistic	337.4888	Durbin-Watson stat	1.781278
Prob(F-statistic)	0.000000		

Source: Author's Results, 2022

Based on the table above, the adjusted R-squared value is 0.987370, which means the research model can explain the transfer pricing variable of 98.74%.

Effect of Tax, Company Size, Exchange Rate and Bonus Mechanism on Transfer Pricing

According to the findings of the study's simultaneous hypothesis testing, transfer pricing is simultaneously impacted by taxes, company size, exchange rates, and bonus structures. The results, specifically the Prob F-statistic value of 0.000000, which indicates that the value is less than the limit of significance of 0.05, show this. Therefore, it can be stated that transfer pricing is affected by the independent variables taxes, firm size, exchange rate, and bonus mechanism when examined together. In other words, the first hypothesis is accepted.

The Effect of Taxes on Transfer Pricing

According to the findings of the aforementioned regression test, the independent variable Tax's t-count value is -0.195450, and the t-count is 1.66105. The probability value of the tax variable is 0.8456 > 0.05, and the estimated t value is (-0.195450) t table value (1.66105). This leads to the conclusion that, between 2017 and 2021, taxes have no impact on transfer pricing in basic material, cyclical, non-cyclicals, industrials, and healthcare enterprises.

Transfer pricing is not much impacted by taxes. This is due to the company's use of tax planning when attempting to reduce the amount of taxes that must be paid. To reduce taxes while staying on course, tax management or planning can be done, specifically in compliance with the provisions of the relevant tax laws and regulations (Aryati & Harahap, 2021). Because the parties participating in the company essentially have distinct interests, agency theory can be used to describe how they will behave in this situation. An

agency conflict results from the conflicting interests of the corporation and the tax authorities. This discrepancy occurs when businesses attempt to lower taxes by dodging taxes in order to increase their corporate worth, while the tax authorities do not want tax avoidance by means of transfer pricing. The Directorate General of Taxes (DGT) issues regulations regarding transactions conducted with related parties. This is stated in the Director General of Taxes Regulation Number Per-32 / PJ / 2011 concerning Amendments to the Director General of Taxes Regulation Number Per-43 / PJ / 2010 concerning the application of the principle of fairness and business practice in transactions between taxpayers and parties who have special relationships. In accordance with this regulation, taxpayers must utilize fair market values when dealing with related parties.

The Regulation of the Minister of Finance Number 213 / PMK.03 / 2016 which controls the types of papers and/or information that conduct transactions with linked parties and procedures also contains regulations about this. The objective is to determine if the standards of fairness and good business practice were applied in the transactions carried out by enterprises conducting business with related parties. With the regulations made by the tax authorities, it can reduce the abuse of transfer pricing, so that company management cannot make the tax burden an effort to carry out transfer pricing practices. This research is in line with research conducted by (Wulandari et al. 2021) which states that tax has no effect on transfer pricing. This research is inversely proportional to the research conducted by Refgia (2017) which states that taxes have an effect on transfer pricing.

The Effect of Firm Size on Transfer Pricing

Based on the results of the regression test above, the t-count value of the independent variable company size is obtained at -4.901041 and the t-count is 1.66105. The calculated t value (-4.901041) > the t table value (1.66105) and the probability value of the firm size variable is 0.0000 <0.05. The regression coefficient value for the Firm Size (X2) variable is -0.074713, this value indicates a negative (opposite direction) effect between the Firm Size and Transfer Pricing variables. Accordingly, the Transfer Pricing variable will reduce by 0.074713 if the Firm Size variable increases by 1. From this, it can be inferred that in manufacturing enterprises between 2017 and 2021, company size has a detrimental impact on transfer pricing. According to agency theory, a larger company will likely engage in more financial transactions and business operations, increasing the likelihood that Indonesian companies may use transfer pricing. Larger organizations have less motivation to smooth earnings than smaller companies do because investors place a higher value on larger companies. This is why huge companies are larger than small companies. This study supports the findings of studies by Khotimah (2018) and Ratna et al. (2018) that there is a negative relationship between firm size and transfer pricing. This study contradicts that Yulia et al. (2019), which found no relationship between firm size and transfer pricing.

Effect of Exchange Rate on Transfer Pricing

According to the findings of the aforementioned regression test, the independent variable exchange rate's t-count value is -1.081966 and the t-count is 1.66105. The probability value of the exchange rate variable is 0.2827 > 0.05, and the estimated t value (-1.081966) > the t table value (1.66105). Exchange Rate (X3) variable's regression coefficient value is -0.024998. between 2017 and 2021, the exchange rate will not have an impact on transfer pricing in basic material, cyclical, non-cyclicals, industrials, and healthcare enterprises.

This shows that even when the strength of the foreign exchange rate is increasing, it is unable to affect the company's considerations when deciding on transfer pricing. The exchange rate is the value of the rupiah in relation to recent or upcoming payments made in foreign currencies. Exchange risks that are beneficial or unfavorable will emerge as a result of fluctuations in the rupiah's exchange rate. The risk to the cashiers will be lucrative if rupiah value swings are consistent with regular circumstances. The danger to the company's cash register, however, is negative if the rupiah depreciates. It's possible that this permits the corporation to avoid using the exchange rate as a benchmark when deciding on transfer pricing because they take other factors into account that may be advantageous to them. According to (Jensen and Meckling (1976) both the principal and the agent will make every effort to maximize returns in the form of profits that the company will be able to realize. This study supports research by Rahayu et al. (2020) and Prananda and Triyanto (2020) which found no connection between exchange rates and transfer price. This study contrasts with that of Ayshinta et al. (2019), which found that transfer price is positively impacted by exchange rates.

The Effect of the Bonus Mechanism on Transfer Pricing

According to the findings of the aforementioned regression test, the bonus mechanism independent variable's t-count value is 0.296693 and its t-count is 1.66105. The probability value of the bonus mechanism variable is 0.7675, which is greater than 0.05, and the value of t is arithmetic (0.296693) > t table value of (1.66105). This leads to the conclusion that, between 2017 and 2021, the bonus system has no impact on transfer pricing in manufacturing enterprises.

This demonstrates that businesses with bonus mechanism do not necessarily intend to engage in price-fixing. Since maximizing net profit can be accomplished by performing well in order to receive a sizable bonus payment from the board of directors or the company, the bonus mechanism is not a compelling justification for management to employ transfer pricing. It also occurs because manufacturing organizations have effective management oversight systems in place, such as anticipating the existence of an audit committee with the knowledge and expertise in financial accounting needed to identify management fraud and address it right away (Saraswati dan Sujana, 2017).

According to positive accounting theory, managers' accounting decisions can optimize earnings by chasing bonuses that have been established by business owners. If the manager's bonus is contingent upon the achievement of the company's overall profit, he or she should work hard to boost net income in order to qualify for a sizable bonus payment from the board of directors or the company, and because the latter has an effective stakeholder monitoring system that can spot fraud. carried out by the company's management so that it can be corrected right away. This study supports research by Refgia (2017) and Andayani dan Sulistyawati (2020) which found no connection between the bonus mechanism and transfer pricing. The findings of this study are in direct opposition to those of Tania and Kurniawan (2019) study, which found that the bonus mechanism significantly affects judgments on transfer pricing.

Conclusion

According to the study's findings, tax, company size, exchange rates, and bonus mechanism all have an impact on transfer pricing. The study's findings partially suggest that Taxes, Bonus Mechanism and Exchange Rate Variable partly have no impact on Transfer Pricing. And company size has a impact on transfer pricing.

It is suggested that future studies use other variables that were not examined in this study but are known to have an impact on transfer pricing. Corporate Strategy, Corporate Risk, Tax Competition, and others are a few examples. It is also advised to do additional study in industries than manufacturing to obtain more diverse findings.

Research Limitations

1. The conclusions drawn are only based on the acquisition data, it is hoped that there will be further research regarding the title of this study
2. This study only uses a 5-year research timeframe.
3. There are limitations to research time, energy, and abilities researcher.

Suggestion

For further research, it is better to conduct research using the most recent year of observation and a longer period and using a larger sample size. A larger number of samples will be able to generalize and a longer period will provide research results that are closer to actual conditions.

Future research, it is hoped that it will also examine several other variables that are thought to have an influence on transfer pricing while still including the variables of tax, company size, exchange rate and bonus mechanism to find out the difference in the results obtained.

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