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THE EFFECT OF TAXES, EXCHANGE RATES, LEVERAGE, AND BONUS MECHANISMS ON TRANSFER PRICING IN MANUFACTURING COMPANIES LISTED ON THE IDX

Wenny Anggeresia Ginting [1]
Bee Arlita Ade Putri Br.Sitorus[2]
Cindy Lorenza [3*]
Sania Surga Mas [4]
[1, 2, 3, 4]*Prima Indonesia University, Medan, Indonesia*
gintinganggresiawenny@gmail.com[1]*; beearlita@gmail.com*[2]*; cindyylorenzaa@gmail.com*[3]*; saniaaa06@gmail.com*[4]
**Correspondence:cindyylorenzaa@gmail.com*

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Abstract. This research examines the impact of taxes, exchange rates, leverage, and bonus mechanism on transfer pricing. Tax is calculated by dividing deferred tax expenses taxable by profits. The exchange rate is calculated by dividing foreign exchange profit and loss by profit and loss before tax. Leverage is calculated by dividing total debt by total assets. Bonus Mechanism is calculated by multiplying net profit year t by net profit year t-1 by 100%. The population in this research included 54 manufacturing firms listed on the Indonesia Stock Exchange in 2017-2019, with 29 samples examined across three years. This study is quantitative since the data is numerical, and the data analysis technique is multiple linear regression. The exchange rate has a substantial impact on transfer pricing, according to the findings of this research. Based on the study, the Adjusted R Square value is 0.104, which indicates 10.4% of the independent factors, namely tax, exchange rate, leverage, and bonus mechanism, impact the dependent variable, transfer pricing. The remaining 89.6% is affected by another variable.

Keywords: taxes; exchange rate; leverage; bonus mechanisms; transfer pricing

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INTRODUCTION

The development of the business world at this time is increasing. This causes economic competition to grow so that many countries are trying to be more advanced and developing to prosper their people. The more developed the business world, the tighter the competition that occurs between one company with another. One example of a company experiencing close economic competition at this time is a manufacturing company.

Manufacturing companies use specific machines, equipment, and labor to process raw materials into finished goods that have selling value and can be used by consumers directly (Yadav et al., 2020). There are three manufacturing sectors on the IDX: various industries, consumer goods industry, and elemental and chemical industry (Al-Abass, 2018). In this study, the sector used by the researcher is the consumer goods industry sector.

The consumer goods industry sector is the leading supporter and has a vital role in economic growth in Indonesia. Along with the increase in population, the basic needs needed by the community will increase. Increasing market demand will result in more production processes carried out by manufacturing companies (Nagy et al., 2018).

Some national companies that only operate in one country become worldwide multinational corporations. Changes may stress a business because they will find it difficult to determine the selling price and production costs incurred. It will be challenging to determine the price that must be transferred or what is called transfer pricing.

According to Gunadi (Suandy, 2011), transfer pricing is the price agreed upon by both parties to a transaction. For a long time, most companies utilized transfer pricing to assess all members, employees, or divisions' performance. Tax management often uses transfer pricing to minimize tax due, according to (Azizah & Poren, 2014)

Viewed from the business side, the company's corporate income tax is often minimized to minimize existing costs (cost efficiency). According to (Azizah & Poren, 2014), one of the effective methods for multinational companies to win the competition for limited resources is transfer pricing. If the tax rate in a country is higher, the possibility for companies to carry out transfer pricing will also be more significant.

In addition to tax reasons, differences in exchange rates can also affect transfer pricing. In multinational companies, cash flows can be categorized into several currencies where the value of each coin is not absolutely against the dollar value. Still, the value can change at any time. The different exchange rates influence the practice of transfer pricing by multinational companies (Mathewson, 2019). Companies will be more interested in transferring their profits to countries with more strong currency values through transfer pricing (Akhadya & Arieftiara, 2018).

Specifically, leverage can refer to the amount of debt a company uses to finance assets (Sutama & Lisa, 2018). Measurement of the indebtedness to Total

Asset Ratio (DAR) gauges a company's ability to pay back its debts. If the source of funds through loans used to finance assets is more significant, then the value of DAR will also be higher (Salim, 2015). Due to the increased risk of default, high DAR loans are challenging to get (Kasmir, 2014).

The method may also incentivize companies to adopt transfer pricing. According to research (Saraswati & Sujana, 2017), the bonus mechanism provides compensation other than salary based on the results and work performance of the directors or managers concerned. Many companies offer profit-based incentives so that directors and managers may affect the company's net earnings to maximize bonus payments. Directors or managers may use transfer pricing to increase net profits and, therefore, their pay.

As stated before, taxes, exchange rates, leverage, and bonus mechanism all affect the value of transfer pricing. Therefore, researchers are interested in researching with the title "The Effect of Taxes, Exchange Rates, Leverage, and Bonus Mechanisms on Transfer Pricing in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2017-2019". (*Indonesia Stock Exchange*, 2019)

Research Phenomenon

The phenomenon that occurs in the company PT. Indofood CBP Sukses Makmur Tbk, the tax value was Rp. 1,663,388,000,000 in 2017 and in 2018 it was Rp. 1.788.004.000.000 seen an increase of Rp. 124.616 million or 7.49% while the value transfer pricing in 2017 was Rp. 4,126,439,000,000, in 2018 it was Rp. 4,271,356,000,000 also experienced an increase of Rp. 144,917,000,000 or 3.51%.

At the company PT. Gudang Garam Tbk, the exchange rate in 2017 was Rp. 10,436,512,000,000 and in 2018 Rp. 10,479,242,000,000 seen an increase of Rp. 42,730,000,000 or 0.40%, while the value of transfer pricing in 2017 was Rp. 3,043,784,000,000 and in 2018 it was Rp. 1,725,933,000,000 seen a decrease of Rp. 1,317,851,000,000 or 43.29%.

At the company PT. Ultra Jaya Milk Industry Tbk, the value leverage in 2018 was Rp. 5,555,871,000,000 and in 2019 it was Rp. 6,608,422,000,000 seen an increase of Rp. 1,052,551,000,000 or 18.94%. The value of the bonus mechanism in 2018 is Rp. 701,607,000,000 and in 2019 Rp. 1,035,865,000,000 seen an increase of Rp 334,258,000,000 or 47.64%. Meanwhile, transfer pricing in 2018 was Rp. 560.619 million and in 2019 Rp. 652,067,000,000also increased by Rp. 91,448,000,000 or 16.31%.

MATERIALS AND METHODS

This study utilizes causal associative research to evaluate the effect of tax, exchange rate, leverage, and bonus mechanisms on transfer pricing and stresses the quantitative method—numerical data (numbers). The type of data used is secondary data obtained from the Indonesia Stock Exchange or accessed through www.IDX.co.id(*Indonesia Stock Exchange*, 2019).

Population and Sample

The Population

The population utilized for this research was from Indonesian manufacturing firms listed in 2017-2019. In this research, we used purposive sampling, which is based on specific criteria.

The Sample

The study's sample was chosen based on the following criteria:

a. companies Consumer Goods Industry listed on the IDX from the 2017-2019 period. (*Indonesia Stock Exchange*, 2019)
b. companies Consumer Goods Industry that does not publish financial reports during the 2017-2019 period.
c. companies Consumer Goods Industry that suffered losses during the 2017-2019 period.

Table 1. Sample Selection Process

No.	Sampling Criteria	Number of
1	Companies Consumer Goods Industry listed on the IDX from the 2017-2019 period	54
2	companies Consumer Goods Industry that did not issue financial reports during the 2017-2019 period	(12)
3	companies Consumer Goods Industry that suffered losses during the 2017-2019 period	(13)
	The number of samples used	29
	The number of observation samples (29 x 3)	87

Source: www.IDX.co.id(*Indonesia Stock Exchange*, 2019)

Data Collection Techniques

In this study, the researcher used the documentation method to obtain the data needed in this study. (Sugiyono, 2016)states that the documentation technique is utilized to collect data in papers or financial reports to assist the analysis.

Types and Sources of Data

This study utilizes secondary data kinds, which are acquired indirectly from the research object. The data came from the 2017-2019 IDX annual financial reports of manufacturing firms. In addition, researchers utilized data from www.IDX.co.id, the Indonesia Stock Exchange's official website. (*Indonesia Stock Exchange*, 2019)

Operational Definition of Variable

Table 2. Operational Definition of Variable

Variable	Definition of	Indicator	Scale

Tax (X_1)	Tax is a mandatory contribution that the people must pay to the State, which is coercive and does not get direct reciprocity and is used for state purposes. (Prof. Dr. Rochmat Soemitro, SH, 2013:1) In (Eka Natalia, 2020).	ETR $= \frac{Deferred\ Tax\ Expenses\ Taxable}{Profits}$	Ratio
Exchange Rate (X_2)	*The Exchange Rate* is the price of a country's currency value carried out for exchange transactions between two countries. (Dharmawan, 2021)	*Exchange Rate* $= \frac{profit\ and\ loss\ on\ foreign\ exchange}{profit\ and\ loss\ before\ tax}$	Ratio
Leverage (X_3)	*Leverage* is the ratio used to measure the amount of debt used by the company to finance assets. (Kasmir, 2014).	*DAR* $= \frac{Total\ Debt}{Total\ Asset}$	Ratio
bonus mechanism (X_4)	The Bonus Mechanism provides compensation other than salary based on the results and work performance of the directors or managers concerned. (Irpan, 2011) in (Saraswati & Sujana, 2017)	ITRENDLB $= \frac{Net\ Profit\ Year\ t}{Net\ Profit\ Year\ t-1}\ X\ 100\%$	Ratio

Transfer Pricing (Y)	*Transfer Pricing is* defined as the amount price that has been agreed by both parties who have a special relationship for the transaction goods or services, either in financial business transactions or other transactions. (Gunadi in (Suandy, 2011)	*Transfer Pricing* $= \frac{Receivables\ from\ related\ party\ trans}{Total\ Receivables}$	Ratio

Classical Assumption

Test Normality test is used to test whether the independent, dependent, or both variables have a normal distribution or are even close to normal (Situmorang, 2020). The normality test is usually used in two ways: a statistical analysis using the Kolmogorov-Smirnov Test and graph analysis using histograms and normal P-Plots. If the significance value reaches > 0.05, then a residual is called customarily distributed, but if the significance value goes < 0.05, then a residual is called abnormally distributed.

Multicollinearity test is used to test whether a regression model can find a correlation or not between independent variables (Daoud, 2017). If the VIF value is ≥ 10 or Tolerance ≤ 0.01, then the data can be concluded that multicollinearity symptoms occur, while if the VIF value is ≤ 10 or Tolerance ≥ 0.01, then the data can be concluded free from multicollinearity symptoms.

The heteroscedasticity test is used to determine if a regression model can occur variance inequality from one observation residual to another (Safrita et al., 2021).

Heteroscedasticity test using plot graph test in the predictive value of the dependent variable by using ZPRED and the residual value using SRESID. In a regression model, heteroscedasticity will not occur if the pattern is unclear and some points spread above and below the number 0 on the Y-axis(Sartika et al., 2021).

Autocorrelation test, used for consecutive observations at any time and stated to have a relationship with each other (Ahmarian et al., 2019). Symptoms of autocorrelation can be seen from the residual observations that are not independent of other words (Byannur & Nursiam, 2021). In each study using the Durbin-Watson (test DW). Autocorrelation can be checked from the test Durbin-Watson. If dU < DW < 4-dU, it can be concluded that there is no autocorrelation symptom.

Research Data Analysis Methods

We performed multiple linear regression analyses to evaluate the independent variable's impact on the

dependent variable in this research. Multiple linear regression contains one dependent variable and two or more independent variables (Sugiyono, 2016).

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Description:
Y = Transfer Pricing, a = Constant, b = Regression Coefficient, X1 = Tax, X2 = Exchange Rate, X3 = Leverage, X4 = Bonus Mechanism, e = Term of Error

Coefficient of Determination

According to Sanusi (2011:141) in (Alamsyah et al., 2018), the coefficient of determination measures the model's capacity to explain the independent variables. The coefficient of determination ranges from 0 to 1, describing the independent variable's appropriateness to the dependent variable. The dependent variable's variation explained by the independent variable increases as the coefficient of determination increases. Conversely, a decreasing coefficient of determination indicates a decreasing variance of the dependent variable defined by the independent variable.

Partial Test (T-Test)

Used to compare two intervals or ratios with confidence. If t-count > t-table or t-test significance < 0.05, the independent variable has a substantial impact on the dependent variable.

Simultaneous Test (F Test)

Examines the simultaneous effects of the independent factors on the dependent variable. If F-count > F Table or probability < 0.05, then the independent variable is influencing the dependent variable.

RESULTS AND DISCUSSION

RESULTS

Classical Assumption

Test Normality Test

Table 3. One-Sample Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		87
Normal Parameters[a,b]	Mean	0E-7
	Std. Deviation	.29424123
Most Extreme Differences	Absolute	.280
	Positive	.280
	Negative	-.204
Kolmogorov-Smirnov Z		2.611
Asymp. Sig. (2-tailed)		.000
a. Test distribution is Normal.		
b. Calculated from data.		

Source: SPSS Statistics 20

Table 3 shows that the data is not normally distributed because of the value Asymp. Sig. (2-tailed) above is 0.000, which is less than 0.05.

Good data must meet the requirements of the normality assumption or must be normally distributed, which is the value Asymp. Sig. (2-tailed) must be greater than 0.05.

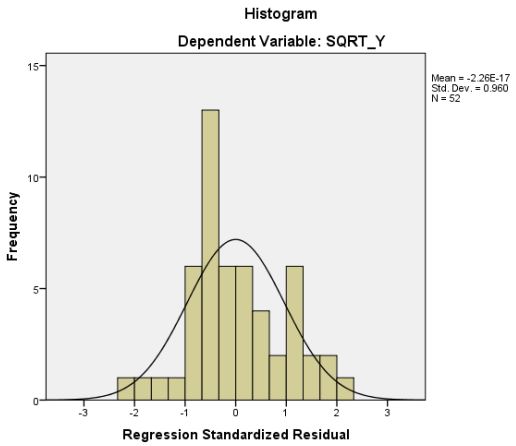

Figure 1. Normality Test Histogram Graph

Therefore, it is necessary to transform the data. The technique used to change the data is Square Root (SQRT). The normality test results that have been converted are:

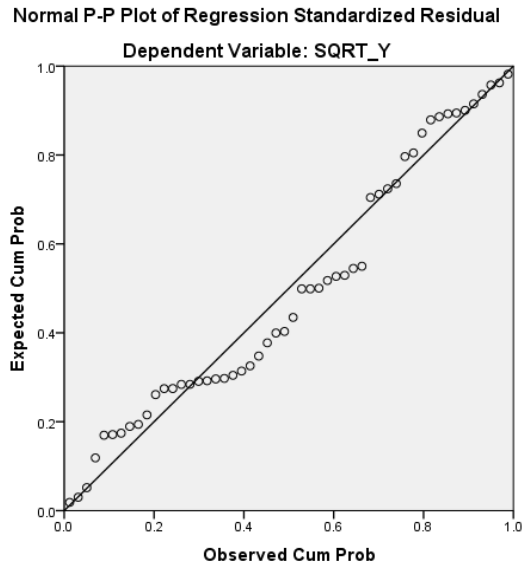

Figure 2. Normality Test Plot Graph

Based on the display output in Figure1, it can see that the histogram graph is shaped like a bell. While the display output in Figure 2 shows a graph plot following the points of the diagonal line so that it can state that the data meets the requirements of the normality assumption and is usually distributed.

Table 4. Normality Test After Data Transformation

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		52
Standard Parameters [A, B]	Mean	0e-7
	Std. Deviation	.29316725
Most Extreme Differences	Absolute	.121
	Positive	.121
	Negative	-.083
Kolmogorov-Smirnov Z		.874
Asymp. Sig. (2-Tailed)		.430
A. Test Distribution Is Normal.		
B. Calculated From Data.		

Source: SPSS Statistics 20

Table 4 shows that the number of N decreases from 87 to 52 because there is data with a minus value, so that it is wasted during data transformation. It is also shown that the information is generally distributed because of the importance of Asymp. Sig. (2-tailed) above is 0.430, which is greater than 0.05

Multicollinearity Test

Tabel 5. Multicollinearity Test

Coefficients								
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**Collinearity Statistics**	
		B	**Std. Error**	**Beta**			**Tolerance**	**VIF**
1	(Constant)	.398	.260		1.533	.132		
	SQRT_X1	-.097	.187	-.079	-.519	.607	.759	1.318
	SQRT_X2	1.750	.570	.452	3.069	.004	.812	1.231
	SQRT_X3	-.293	.307	-.133	-.956	.344	.908	1.101
	SQRT_X4	-.009	.154	-.008	-.056	.956	.843	1.187

a. Dependent Variable: SQRT_Y

Source: SPSS Statistics 20

Based on the data results above, the value Tolerance for all variables is greater than or equal to 0.01, and the Variance Inflation Factor (VIF) is less than or equal to 10. So it can conclude that the data is free from multicollinearity symptoms.

Heteroscedasticity Test

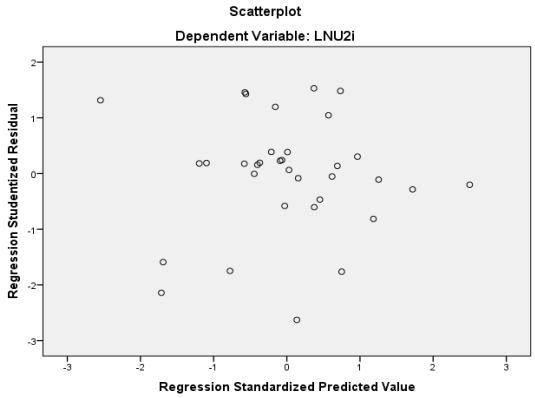

Figure 3. Scatterplot Heteroscedasticity Test

Based on the graph scatterplot above, it can see that the dots spread randomly. Therefore, it can conclude that the data is free from heteroscedasticity symptoms.

Table 6. Test Park

Coefficients [a]							
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**Collinearity Statistics**	
		B	**Std. Error**	**Beta**			**Tolerance**	**VIF**
1	(Constant)	-3.531	1.033		-3.418	.002		
	LN_X1	-.433	.369	-.263	-1.174	.250	.644	1.552
	LN_X2	.010	.182	.011	.057	.955	.922	1.084
	LN_X3	.034	.509	.012	.067	.947	.939	1.065
	LN_X4	-1.008	.812	-.279	-1.241	.225	.639	1.565

a. Dependent Variable: LNU2i

Source: SPSS Statistics 20

the table above is the result of the heteroscedasticity test using test park. The heteroscedasticity test is considered free from heteroscedasticity symptoms if the value of Sig. on the variable X is greater than or equal to 0.05. Based on the data above, it can be seen that the entire value of Sig. is above 0.05, so it can state that the data is free from heteroscedasticity symptoms.

Autocorrelation Test

Table 6. Autocorrelation Test

Model Summary [b]					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. The error of the Estimate**	**Durbin-Watson**
1	.417[a]	.174	.104	.30539	1.855

a. Predictors: (Constant), SQRT_X4, SQRT_X2, SQRT_X3, SQRT_X1

b. Dependent Variable: SQRT_Y

Source: SPSS Statistics 20

Based on the results output above, the conclusion of the new test for the sample (n) is 52, the independent variable (k) is four variables, and the value Durbin-Watson with α= 5% obtained dU of 1.7223. Then dU < DW < 4-dU (1.7223 < 1.855 < 2.2777) which means that it can be concluded that the data is free from autocorrelation symptoms.

Hypothesis Testing

Multiple Linear Regression Analysis

Table 7. Multiple Linear Regression Analysis Equation

Coefficients [a]								
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**Collinearity Statistics**	
		B	**Std. Error**	**Beta**			**Tolerance**	**VIF**
1	(Constant)	.398	.260		1.533	.132		
	SQRT_X1	-.097	.187	-.079	-.519	.607	.759	1.318
	SQRT_X2	1.750	.570	.452	3.069	.004	.812	1.231
	SQRT_X3	-.293	.307	-.133	-.956	.344	.908	1.101
	SQRT_X4	-.009	.154	-.008	-.056	.956	.843	1.187

a. Dependent Variable: SQRT_Y

Source: SPSS Statistics 20

Based on the table above, it can be seen that multiple linear regression analysis equations is as follows:

Transfer Pricing (Y) = 0.398 (a) – 0.097 TAX(b1) + 1.750 EXCHANGE RATE(b2) – 0,293 LEVERAGE(b3) – 0,009 BONUS MECHANISM(b4) + e

From the multiple linear regression equation above, it can be explained that the constant (a) of 0.398 means that Tax (b1), Exchange Rate (b2), Leverage (b3), and the Bonus Mechanism (b4) is constant or zero, then Transfer Pricing (Y) is positive or will increase by 0.398. The Tax regression coefficient (b1) is -0.097, meaning that for every change in one unit of the financial tax ratio (b1), the Transfer Pricing (Y) is negative or will decrease by -0.097. The Exchange Rate regression coefficient (b2) is 1.750, meaning that for every change in one unit of the financial ratio Exchange Rate (b2), the Transfer Pricing (Y) is favorable or will increase by 1.750. The Leverage regression coefficient (b3) is -0.293, which means that for every change in one unit of financial ratio leverage (b3), then Transfer Pricing (Y) is negative or will decrease by -0.293. The Bonus Mechanism regression coefficient(b4) is -0.009, meaning that for every one unit change in the Bonus Mechanism's financial ratio (b4), the Transfer Pricing (Y) is negative or will decrease by -0.009.

Coefficient of Determination

Table 8. Coefficient of Determination Test

Model Summary					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. The error of the Estimate**	**Durbin-Watson**
1	.417[a]	.174	.104	.30539	1.855
a. Predictors: (Constant), SQRT_X4, SQRT_X2, SQRT_X3, SQRT_X1					
b. Dependent Variable: SQRT_Y					

Source: SPSS Statistics 20

Based on the data results above, it can seem that the value is Adjusted R Square 0.104 or 10.4%. So it can conclude that the independent variable affects the dependent variable by 10.4%, and the rest comes from other variables outside the model.

T-test

Table 9. T-test

Coefficients								
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**Collinearity Statistics**	
		B	**Std. Error**	**Beta**			**Tolerance**	**VIF**
1	(Constant)	.398	.260		1.533	.132		
	SQRT_X1	-.097	.187	-.079	-.519	.607	.759	1.318
	SQRT_X2	1.750	.570	.452	3.069	.004	.812	1.231
	SQRT_X3	-.293	.307	-.133	-.956	.344	.908	1.101
	SQRT_X4	-.009	.154	-.008	-.056	.956	.843	1.187
a. Dependent Variable: SQRT_Y								

Source: SPSS Statistics 20

Based on the results output above, it can see that the t-table is 2.01174. The following is the explanation:

Tax (X1) at t-count is -0.519 where t-count < t-table is 0.519 < 2.01174 and sig value > 0.05 which means partially Tax (X1) has no significant effect on Transfer Pricing (Y), then the statement1 rejected.

Exchange Rate (X2) at t-count is 3.069 where t-count > t-table is 3.069 > 2.01174 and sig value < 0.05, which means partial Exchange Rate (X2) has a significant positive effect on Transfer Pricing (Y), then the statement2 is received.

Leverage (X3) at t-count is -0.956 where t-count < t-table is 0.956 < 2.01174 and sig value > 0.05 which means partially

Leverage (X3) has no significant effect on Transfer Pricing (Y), then statement3 rejected.

Bonus Mechanism (X4) at t-count is -0.056 where t-count < t-table is 0.056 <2.01174 and sig value > 0.05, which means partial Bonus Mechanism (X4) has no significant effect on Transfer Pricing (Y), then the statement 4 rejected.

F-Test

Table 10. F Test

ANOVA [a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.922	4	.231	2.472	.057[b]
	Residual	4.383	47	.093		
	Total	5.306	51			
a. Dependent Variable: SQRT_Y						
b. Predictors: (Constant), SQRT_X4, SQRT_X2, SQRT_X3, SQRT_X1						

Source: SPSS Statistics 20

Based on the table above, it can see that the F is calculated at 2.472 while the F-table is 2.57. Thus, F-count (2.472) < F-table (2.57), which means that Tax(X1), Exchange Rate (X2), Leverage (X3), and Bonus Mechanism (X4) have no simultaneous effect on transfers pricing (Y) in 2017-2019.

Discussion

Effect of Tax on Transfer Pricing

The discovered coefficient of -0.519 in the research indicates that the Tax variable has no significant impact on Transfer Pricing in manufacturing firms listed on the IDX in 2017-2019. Thus, the original hypothesis (Refgia et al., 2017)that taxes have a beneficial impact on Transfer Pricing is rejected.

According to (Azizah & Poren, 2014) and (Agustina, 2020), taxes have no substantial impact on Transfer Pricing. The assertion that a company's objective is to reduce taxes is inaccurate since the findings of this research indicate that businesses that minimize taxes do not necessarily seek to conduct transfer pricing. Apart from this, the Income Tax Law regulates specific connections to avoid tax evasion (Setiawan & Sulistyono, 2017).

Effect of Exchange Rate on Transfer Pricing

The study results found that the variable Exchange Rate has a coefficient of 3.069 with a significance value of 0.004, which means that the Exchange Rate variable has a significant effect on Transfer Pricing in manufacturing companies listed on the IDX in 2017-2019(*Indonesia Stock Exchange*, 2019). So the initial hypothesis quoted from research conducted by (Pratiwi, 2018), which states that the Exchange Rate has a positive effect on Transfer Pricing, is accepted.

The results of this study are supported by research conducted by (Ayshinta et al., 2019). Namely, the exchange rate has a significant effect on transfer pricing. Exchange Rate is the exchange rate of a currency against current or future payments. If the exchange rate fluctuates continuously, it will affect the selling price of the product or service to be traded (Nagahisarchoghaei et al., 2018). Therefore, management will choose to conduct transfer pricing to ascertain the amount of cash available for payment.

The exchange rate affects the company's decision to transfer pricing. The management will use currency exchange rates to transfer profits to countries with a more substantial currency value. In budget planning, the yield on the foreign exchange will increase every year (Pratiwi, 2018). This is because they believe that the value of foreign currencies will get more robust, and the rupiah's deal will get weaker. The stronger the foreign currency value, the higher the foreign exchange profit earned by the company. Then the company will choose to sell products abroad through transfer pricing so that the profits will be even greater (Pratiwi, 2018).

Effect of Leverage on Transfer Pricing

The study results found that the variable leverage has a coefficient of -0.956 with a significance value of 0.344, which means that the variable influence has no significant effect on Transfer Pricing in manufacturing companies listed on the IDX in 2017-2019(*Indonesia Stock Exchange*, 2019). So the initial hypothesis quoted from research conducted by (Deanti, 2017), which states that leverage has a positive effect on Transfer Pricing, is rejected.

The results of this study are also supported by research conducted by (Pratiwi, 2018), namely, leverage has no significant effect on Transfer Pricing. Leverage can be used as a factor that encourages transfer pricing to reduce the company's tax burden. Companies with high debt will focus on paying debts because this will impact the company's conducting transfer pricing (Deanti, 2017). The potential for a company to carry out transfer pricing will be higher if the level of leverage companies are also higher (Pratiwi, 2018).

Effect of Bonus Mechanism on Transfer Pricing

A coefficient of -0.056 and a significance value of 0.956 indicate that the Bonus Mechanism variable does not affect Transfer Pricing in manufacturing companies listed on IDX in 2017-2019(*Indonesia Stock Exchange*, 2019). This disproves the initial premise (Refgia et al., 2017) that the Bonus Mechanism helps transfer pricing.

The Bonus Mechanism has no significant effect on Transfer Pricing (Rachmat, 2019). Bonuses are a method to recognize a company's achievement. According to research (Saraswati & Sujana, 2017), using transfer pricing to create fast profits is highly unjust for the firm to receive a bonus since numerous other factors affect a company's destiny.

CONCLUSIONS

So this study will examine the effect of taxes, exchange rates, leverage, and bonus mechanism on transfer pricing. This research utilized a manufacturing firm listed on the Indonesian Stock Exchange in 2017-2019. Based on the study's results, we may say: Tax impacts Transfer pricing with a significance value of 0.607 > 0.05. The tariff's magnitude has no bearing on the company's decision. In terms of importance, Exchange Rate impacts Transfer Pricing with a significance value of 0.004 < 0.05. The increasing currency rate will affect the company's decision to transfer pricing. Leverage impacts Transfer Pricing with a significance value of 0.344 > 0.05. The results of this research indicate that leverage does not affect transfer pricing. Bonus Mechanism impacts Transfer pricing with a significance value of 0.956 > 0.05. The results of this research suggest that the bonus mechanism does not affect Transfer Pricing. The Adjusted R Square of 10.4% shows that the independent factors only affect the dependent variable 10.4%, while variables outside the model influence the rest.

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