ABSTRACT

Transfer pricing is the act of allocating profits from corporate entities in one country to other state company entities in a group of companies to minimize or even avoid taxes. Transfer pricing is believed to result in reduced or lost potential tax revenue of a country because multinational companies tend to shift their tax obligations from countries that have high tax rates to countries that apply low tax rates (low tax countries).

This study aims to determine the effect of tax, tunneling incentive, debt covenant, and exchange rate on company decisions to transfer pricing both simultaneously and partially. The population in this study is manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2018 period. The sample selection is determined by the purposive sampling method, and the number of samples obtained is 69 samples. The analysis used in this research is descriptive analysis and logistic analysis.

The results of the hypothesis testing showed that simultaneously the tax variables, tunneling incentive, Debt covenant, exchange rate had an effect on transfer pricing. Partial taxes do not affect the transfer pricing, tunneling incentive positively affect the transfer pricing, debt covenant positively affects the transfer pricing, while the exchange rate does not affect the transfer pricing.

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