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The Influence of Tax and Tunneling Incentive on Transfer Pricing Decisions in Basic Industrial and Chemical Sector Companiesand Trade, Service and Investment Sector Companies Listed on the Indonesian Stock Exchange (IDX)

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ABSTRACT

Transfer pricing is the determination of prices when a company deals with affiliated companies, but transfer pricing is often misused by companies by manipulating the transfer prices as a form of tax avoidance by lowering or increasing the price of product transfers. Another practice of transfer pricing is tunneling incentive in which the companies transferthe assets and profits out of them by manipulating the prices and setting the unreasonable market prices for the personal benefit of the majority shareholders and the burden is borne by the minority shareholders.

The purpose of this study was to determine whether taxation and tunneling incentive influencedthe transfer pricing decisions. The population of this research was the companies in the Basic Industrial and Chemical Sector and the Trade, Service and Investment Sector listed on the Indonesia Stock Exchange (IDX) for the period of 2015-2020 and the determination of the sample used a purposive sampling method where the sample was determined with certain criteria. The data analysis method of this research was the statistical method of multiple linear regression analysis by using the IBM Statistical Package for Social Sciences (SPSS) of 26 analysis tool program.

Based on this study, there were 247 companies other than 30 companies met as the sample criteria. According to the research results, known that the tax amount had a significant value of 0.044<0.05 and the result of the t-test was 2.025>1.97346, which meant that the tax amount had a positive influence on the transfer pricing. The significant value of tunneling incentive was 0,000<0.05 and the result of the t-test was 4.217>1.97346 which meant that tunneling incentive had a positive influence on the transfer pricing. Based on the result of the F test, it was known that a significant value of 0,000<0.05 and F test value of 11,027>3.05, which meant that the tax amount and tunneling incentive simultaneously had a positive influence on the transfer pricing. And the result of the coefficient determination showed that the taxation and tunneling incentive influencedthe transfer pricing by 11.4% and the rest was influenced by other variables.

Keywords: Tax,Tunneling Incentive, Transfer Pricing

INTRODUCTION

The development of the globalization era gives a significant impact on the international trade. The progress of the country's economy, the growth in the flow of goods and services globally and the increase in the acquisition of companies among countries have increased the intracompany trade, which isthe transactions among the related companies forma single entity. Multinational companies take an advantage of the technology, transportation and communication developments to establish subsidiaries, branches and business representatives in various countries to strengthen the strategic alliances for market share, export and import of products in various countries and to improve the efficiency in the management of the group's supply chain. In developing a business, companies need to improve the efficiency and effectiveness in increasing the corporate profits, which is by conducting transactions between companies or divisions including transactions of selling goods and services or intangible assets to the related parties across national borders. Multinational companies operate in countries with different tax rates and conditions and this poses risks for the tax administration in each country. This relates to the possibility of tax avoidance practices carried out by multinational companies through transactions among the affiliated companies domiciled in different countries.

Transactions among related parties (one group of companies) are called affiliated transactions. Meanwhile, determining the price in an affiliated transaction is called transfer pricing. The transfer pricing relates to the delivery of goods and / or services between the centers of responsibility in a company. In domestic operations, the transfer pricing system is an activity carried out to maintain the division autonomy, align goals, and evaluate performance, while for the international operations, there are several other factors, they are taxation, government regulations, accumulated funds, rates, joint ventures and foreign exchange controls (Sunardi and Sunyoto , 2015: 201).

Recently, transfer pricing has become an issue in the field of accounting and taxation, in which companies often carry out transfer pricing schemes that are not in accordance with the applicable laws. Transfer pricing is misused by the companies as a form of tax avoidance, they minimize their taxes by allocating the profits to a country imposing a tax rate that benefits them. Tax avoidance practices are also carried out by them by manipulating the transfer price of goods in transactions with the affiliated companies by setting the unreasonable prices. Mispiyanti, (2015) stated that company transactions with related parties are believed to reduce the state tax revenue, this is because the multinational

companies will try to shift their tax obligations from the countries imposing high tax rates to the countries applying low tax rates.

In addition, the company's decision to do transfer pricing is tunneling incentive. Hartati and Desmiyawati, (2015) stated that tunneling is a behavior carried out by the majority shareholders by transferring or diverting the assets and profits of the companies for a personal gain, and if there are costs, then the minority shareholders also bear them. If the shareholders have a great control in the company, then the company's action is to carry out the affiliated transactions to transfer the assets or profits of the companies out of them by determining the unreasonable market prices for the benefit of the majority shareholders rather than distributing dividends to the minority shareholders "(Jafri and Mustikasari, 2018).Noviastika et al, (2016) stated that "the companies whose shareholdings are concentrated on one party tend to practice tunneling through transfer pricing transactions and these transactions are carried out through transactions among the affiliated companies".

LITERATURE REVIEW and HYPOTHESIS DEVELOPMENT

(Agency Theory)

Jensen and Meckling (in Yuniasih et al., 2012) stated that the agency relationship is a contract between a principal and an agent to perform services and give the agent an authority to make decisions within the company. According to Scott (2015) agency theory is a relationship or contract between a principal and an agent, in which the principal as the party who employs the agent to carry out the tasks for his interest. Hartati and Desmiyawati, (2015) explained that "agency theory is a theory about the existence of a difference in interests among owners as shareholders, directors and employees which then causes a conflict between personal interests and company interests or what is called as an agency conflict. From the definition above, it can be concluded that agency theory is the relationship between shareholders and managers where in this relationship there is a contract in which shareholders authorize managers to manage the business and make decisions for them.

Arm’s Length Principle

The Arm's Length Principle is a standard in determining the transfer prices, in this case for tax purposes used in Article 9 of the OECD Model Tax Convention as a situation created or enforced for both parties in a business or financial relationship among the

independent companies, then the profit that should be recognized by a company with certain conditions, but because of some reasons, that certain conditions have not been recognized, the meant profit can be included in the company's profit and taxed (OECD Transfer Pricing Guidelines, 2017). The Arm's Length Principle in Indonesia is defined as the principle of fairness and business normality applied in accordance with the Income Tax Law Article 18 paragraph 3 stating that the General Director of Tax has the authority to reassess the income or deduction and determine debt as capital to calculate the Taxable Income of Taxpayers having a special relationship with other taxpayers according to the fairness and business normality which are not affected by a special relationship with the price comparison method among the independent parties, the resale price method, the cost-plus method, or the other methods.

Transfer Pricing

According to the regulation of the Minister of Finance number 7 / PMK.03 / 2015, transfer pricing is a price determination in business transactions among the affiliated companies. The Organization for Economic Co-operation and Development (OECD) (2009) stated that the transfer pricing is a price in which a company transacts with an affiliated company. When a company transfers intangible property, goods or services to a related company, the charged price is defined as the transfer pricing. Sunardi and Sunyoto (2015: 197) stated that the transfer pricing is the selling price of goods or services sent from a responsibility center to another responsibility center in the company. In addition, Ritonga (2018: 362) stated that transfer pricing is an act of manipulating the price charging of a transaction among the affiliated companies to minimize the overall owed tax burden on the related companies. Quoted from Darussalam (2013: 9) the transfer pricing is any price set by the taxpayer at the time of selling, buying, or sharing resources with the affiliates. Multinational companies use transfer pricing to make sales and transfers of assets and services in their groups. Pohan (2019: 196) stated that transfer pricing is the price calculated for the delivery of goods / services or other intangible assets to the affiliated companies based on the arm's length price principle. From the definition above, the determination of the transfer pricing is the price determined for the transactions of goods, services, or other intangible assets among the companies having a special relationship, the affiliated companies or the divisions within the company based on the principle of fair market prices. According to Pohan (2019: 196) there are two groups of transactions in transfer pricing, they are intra-company and inter-company transfer pricing. Intra-company transfer pricing is the practice of transfer pricing in transactions among the

company divisions, inter-company transfer pricing is the transfer pricing practices carried out by the affiliated companies or the related companies.

Tax

According to Waluyo (2016), tax is the contributions that must be paid by the public to the state according to the general rules by not receiving direct compensation and used to finance the general government expenditures. According to the Law on General Provisions of Taxation number 16 of 2009, tax is an obligatory contribution of the society to the state by an individual or an entity which is compelling based on the regulations, by not receiving a direct compensation for the needs of the state and for the greatest welfare of the people.

Quoted in Agoes (2016), Smeets said that tax is an achievement to the government that is owed through general norms and can be enforced without any contra-achievement which is indicated individually and used to finance the government spending. Tax is a definite source of the state funding in carrying out the role of government and contributing to the state (Rawun et al., 2015).

From some of the definitions above, it can be defined that tax is a public contribution (corporation or person) to the state which is obliged (can be forced) to be paid according to the applicable regulations by not receiving a direct compensation but to meet the needs of the state and for the prosperity of the people. But from a business point of view, tax is categorized as the company expenses called as tax burdens, and every company will definitely try to minimize them. In order to reduce them, multinational companies practice tax avoidance by transferring the profits or diverting the assets to the countries having lower or more profitable tax rates. In its practice, companies can also carry out transfer pricing in which they make transactions with the affiliated companies and manipulate the transfer prices with unreasonable market prices. In the multinational business world, each country has different rates and types of taxes, where usually the developed countries will impose the high tax rates and less developed countries will impose the low tax rates (Marfuah and Azizah, 2014).

Tunneling Incentive

According to Anthony et al. (in Kurniawan et al. 2018) tunneling is the transfer of company assets amongthe subsidiaries in different countries or among the main companies located in different countries, or from the companies to the majority shareholders to enrich

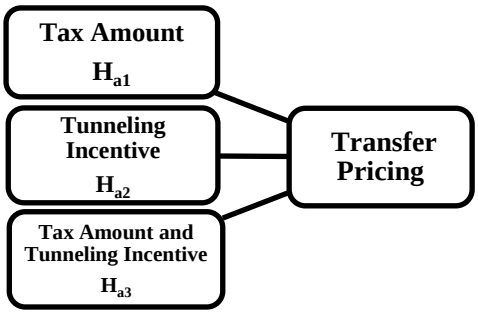
themselves, and the practice of tunneling incentives carried out by the companies is by holding back or not distributing dividends or even by selling the assets of the companies to the majority shareholders. Hartati and Desmiyawati (2015) stated that tunneling incentive is an act of the controlling shareholders who transfer the assets or profits for a personal gain, but the minority shareholders also bear the costs incurred.

Tunneling incentive is an action in decision making or policy by the majority shareholders, and the policy is taken with the aim of personally benefiting without regard to the interests of the majority shareholders which ultimately causes losses to them (Wafiroh and Hapsari, 2015). Tunneling incentive is the actions taken by the majority shareholders by transferring the assets and profits of the companies for their benefit, but when there are costs incurred, the minority will also bear it (Mispiyanti, 2015). Based on the definition above, tunneling incentive can be defined as an action of the majority shareholders who transfers the assets or profits of the companies to obtain the personal benefits and the burden is borne by the minority shareholders. Related party transactions can be used as an opportunistic destination by the majority shareholders to do tunneling where the related party transactions can be in the form of sales or purchases used to transfer the cash or the current assets out of the company through unreasonable pricing in the interests of the majority shareholders. The company also conducts the tunneling for the purpose of minimizing the transaction costs by doing it in a related manner, thus the costs can be reduced. Therefore, it is more economical than making transactions with the unrelated parties.

Conceptual Framework and Hypothesis Formulation

This study examined whether tax and tunneling incentive had an influence on the transfer pricing decisions.

Image 1 Conceptual Framework



Source: Processed Data (2020)

The Relationship between the Tax Amount and the Transfer Pricing Decision

The comparison of the number of shareholdings in a company (The shareholders and the majority shareholders) creates agency conflicts in the company. Because the largest shareholders in the company will have more control over the decision making of the company and this can lead to the abuse of shareholder rights in which they will make decisions that can benefit themselves regardless of the minority shareholders. The practice of tunneling incentive is by holding and not distributing dividends and selling the assets of the company to the majority shareholders or to the companies controlled by them at lower prices, thus the tunneling process is easier to do (Kharisma, 2014). The higher the shareholdings by foreigners, the greater the possibility for the companies to transfer their assets to the other countries in order to avoid the tax, and it is easier to do by carrying out transfer pricing (Mutaminah in Yuniasih et al., 2012).Mispiyanti, (2015) stated that tunneling incentive has a significant effect on the transfer pricing decisions, foreign-owned company shares will make sales to the related parties by determining unreasonable transfer prices for the personal interests of the controlling shareholders in a country with lower tax rates than Indonesia. The tunneling incentive variable is proxied by the level of share ownership owned by foreigners of more than 20% of total shares and by looking at the value of assets being misused through related party receivables.

Hypothesis Development

The formulations of the research hypothesis were as follows:

H_{a1} : The tax amount having a positive influence on Transfer Pricing

H_{o1} :The tax amount having no influence on Transfer Pricing

H_{a2} : Tunneling Incentive having a positive influence on Transfer Pricing decisions

H_{o2} : Tunneling Incentive having no influence on Transfer Pricing

H_{a3} : The tax amount and tunneling incentive having a positive influence on transfer pricing decisions

H_{o3} : The tax amount and Tunneling Incentive having no influence on Transfer Pricing

RESEARCH METHOD

Population and Research Sample

The population of this research was the companies in the Basic Industrial and Chemical Sector and the Trade, Service and Investment Sector listed on the Indonesia Stock Exchange (IDX) for the period of 2015-2020. The sample selection technique was done by using the purposive sampling method by determining certain criteria. The details of the samples in the study could be seen in the Table 1.

Table 1

Sample Determination Criteria

No	Criteria	Total
1.	Companies listed on the Indonesia Stock Exchange (IDX) in 2015-2020 in the Basic Industrial and Chemical Sector and the Trade, Service and Investment Sector.	247
2.	Companies in the Basic Industrial and Chemical Sector and the Trade, Service and Investment Sectorwhich were not controlled by foreign companies with a shareholding percentage of more than 20% as the controlling shareholders (majority).	(143)
3.	Companies in the Basic Industrial and Chemical Sector and the Trade, Service and Investment Sectorthat experienced losses during the observation period.	(27)
4.	The companies in the Basic Industrial and Chemical Sector and the Trade, Service and Investment Sectorwhich did not publish the annual reports on the Indonesia Stock Exchange in a row during 2015-2020.	(21)
5.	The financial statements of the sample companies presented in foreign currency.	(26)
	Companies which met the criteria stated	30
	The total of sample companies (30 companies x 6 years from 2015-2020)	180

Source: Processed Data (2020)

Types and Data Collection Techniques

The type of data used in this study was qualitative data in the form of secondary data, which were the annual reports of the companies in the Basic Industrial and Chemical Sector and the Trade, Service and Investment Sectorpublished on the Indonesia Stock Exchange in the period of 2015-2020. The data collection technique used was the documentation method by collecting, recording and reviewing the secondary data

information in the form of an overview of the company and an annual report published on the Indonesia Stock Exchange (IDX) accessed through the website www.idx.co.id.

Operational Definition and Variable Measurement

Dependent Variable (Y)

Noviastika et al., (2016) stated that the transfer pricing variable is measured by detecting the sales to the special parties. These sales indicate the transfer pricing. Pricing of sales to the related parties usually overrides the principle of fairness by increasing or decreasing the prices. In this study, transfer pricing was determined by using the value of the related party transaction receivables and the total receivables of the company.

$$\text{Transfer Pricing} = \frac{\text{Receivable from Related Party Transactions}}{\text{Receivable Amount}} \times 100\%$$

Independ

The independent variables in this study were the tax amount and tunneling incentive

$$\text{Tunneling Incentive} = \frac{\text{Related Party Receivables}}{\text{Total Assets}}$$

Tax Amount

According to the Law on General Provisions of Taxation number 16 of 2009, tax is an obligatory contribution of the society to the state by an individual or an entity which is compelling based on the regulations, by not receiving a direct compensation for the needs of the state and for the greatest welfare of the people. The tax amount of this research was determined by an indicator with the effective tax rate (ETR), which was a percentage calculation of the tax rates borne by the company.

$$\text{Effective Tax Rate} = \frac{\text{Tax Expense}}{\text{Taxable Profit}}$$

Tunneling Incentive

Tunneling incentive is an action in decision making or policy by the majority shareholders, and the policy is taken with the aim of personally benefiting without regard to the interests of the minority shareholders which ultimately causes losses to them (Wafiroh and Hapsari, 2015). In this study, the calculation of tunneling incentive was by looking at the value of assets being misused through the related party receivables, thus it could be analyzed by using the transfer pricing behavior (Tang 2016).

DATA ANALYSIS

The data analysis method of this research was the statistical method of Multiple Linear Regression analysis and used the analysis tool program "IBM Statistical Package for Social Sciences (SPSS) 26".

The Test Analysis of Descriptive Statistical

In this study, a descriptive statistical test was carried out on the research variables consisting of the dependent variables, they were transfer pricing and the independent variableswhich were the tax amount and tunneling incentive. The average (mean), standard deviation, maximum and minimum were the descriptive tests used. The results of the descriptive statistical test of all the variables in this study were presented in the following table:

Table 2 Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
Tax Amount	180	,01	2295,03	70,1548	213,91667
Tunneling Incentive	180	,0000	5,0923	,163795	,4532567
Transfer Pricing	180	,0000	,9633	,095039	,2170088
Valid N (list wise)	180				

Source: SPSS 26 (2020) Software Output Data

Based on the Table 2, the results of variable measurement regarding descriptive statistics with a sample of 180 companies in the period of 2015-2020 could be explained as follows:

1. The tax amount variable had an average value (mean) of 70.1548 which meant that Companies in the Basic Industrial and Chemical Sector and the Trade, Service and Investment Sectorlisted on the IDX had70% average of effective base tax rate. The minimum value of the tax amount variable was 0.01, the maximum value was 2295.03 and the standard deviation was 213.91667.
2. The tunneling incentive variable showed an average value (mean) of 0.163795, meaning that Companies in the Basic Industrial and Chemical Sector and the Trade, Service and Investment Sectorlisted on the IDX had 16% average of shareholdings by foreign parties. The minimum value for this variable was 0.0000, the maximum value was 5.0923 and the standard deviation was 0.4532567.

Classical Assumption Test Analysis

The classical assumptions fulfilled were that the data had tobe normally distributed. There was no multicollinearity and heteroscedasticity (Ghozali, 2018).

Normality test

The normality test was carried out to determine whether the dependent variable and the independent variable or both were normally distributed or not in the regression model. In this study, the residual normality test was carried out by using the Kolgomorov-Smirnov (K-S) non-parametic statistical analysis test and statistical analysis test for normal probability plot graphs. The result of the Kolmogorov-Smirnov statistical analysis test could be seen in the Table 3 and the result of the normal probability plot graph analysis test results in the Image 2 below:

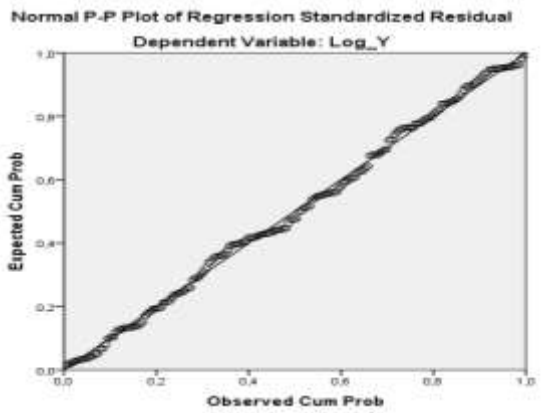
Table 3 One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		174
Normal Parameters[a,b]	**Mean**	,0000000
	Std. Deviation	,92047208

Most Extreme Differences	**Absolute**	,037
	Positive	,037
	Negative	-,035
Test Statistic		,037
Asymp. Sig. (2-tailed)		,200[c,d]

Source: SPSS 26 (2020) Software Output Data

Image 2 Normality Test Results (Probability Plot)



Source: SPSS 26 (2020) Software Output Data

Based on the result of the normality test data in the table 3 above, the influence of the tax amount and tunneling incentive on transfer pricing with a significant value of 0.200>0.05, thus it could be said that the residual value was normally distributed. In the image 2, it could be seen that the data distribution was scattered around the diagonal line, thus this showed that the regression model fulfilled the normality or residual assumption of the normally distributed model.

Autocorrelation Test

The regression model is called good if there is no autocorrelation. The test method used the Durbin-Watson test (DW test). The result of the autocorrelation test could be seen in the Table 4:

Table 4 Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,127[a]	,016	,005	,13460	1,915

Source: SPSS 26 (2020) Software Output Data

The result was a DU value 1.7786 < DW value 1.915 <4-DU value 2.2214, it could be stated that there was no autocorrelation in this regression model, thus it could be said as a good regression model and this data fulfilled the classical assumptions.

Multicollinearity Test

The multicollinearity test was carried out to test whether there was a correlation between the independent variables which were the tax amount and tunneling incentive.

The Multicollinearity Test Result was showed in the Table 5:

Table5 Multicollinearity Test Result

Model		Collinearity Statistics	
		Tolerance	VIF
1	**(Constant)**		
	Tax Amount	1,000	1,000
	Tunneling Incentive	1,000	1,000

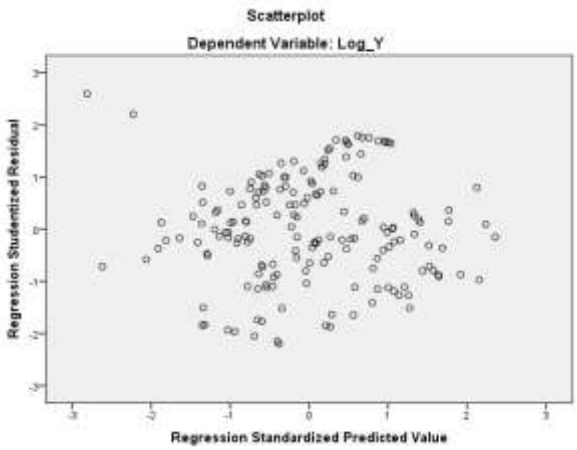
Source: SPSS 26 (2020) Software Output Data

Based on the Table 5, the VIF value of the variable tax amount (X1) = 1,000 <10.00 and tunneling incentive (X2) = 1,000<10.00. Both variables had a VIF value that was smaller than 10, thus it could be concluded that there was no multicollinearity at the data above.

Heteroscedasticity Test

The regression model can be called good if homoscedasticity or heteroscedasticity does not occur (Ghozali, 2018). In this study, the heteroscedasticity test was carried out by observing a scatterplot chart. The result of the heteroscedasticity test could be seen in image 3:

Table 3Heteroscedasticity Test Results



Source: SPSS 26 (2020) Software Output Data

In the image above, it could be seen that there were unclear patterns and the dots (plot) spread above and below the number 0, thus this data indicated that there was no heteroscedasticity or this data could be called homoscedasticity.

Multiple Linear Regression Analysis

In this study, multiple linear regression analysis was conducted to examine the influence of the tax amount and tunneling incentive on the transfer pricing decisions. The result of multiple linear regression analysis was showed in the Table 6 below:

Table 6 Multiple Linear Regression Analysis Result

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	**(Constant)**	-1,775	,245		-7,243	,000		
	Tax Amount	,264	,130	,146	2,025	,044	1,000	1,000
	Tunneling Incentive	,296	,070	,304	4,217	,000	1,000	1,000

Source: SPSS 26 (2020) Software Output Data

Based on the table above, the multiple linear regression equation for this study was as follows:

$$\mathbf{Y = a + b_1X_1 + b_2X_2 + e}$$

Information:

Y = Transfer pricing

X1 = Tax amount

X2 = Tunneling incentive

a = Constant

b = Regression Coefficient

e = Error

$$\mathbf{Y = -1,775 + 0,264\ X_1 + 0,296\ X_2 + e}$$

The explanation of the regression equation model above was as follows:

1. The regression constant was -1,775 which indicated that if the value of the independent variable consisting of the tax amount (X1) and tunneling incentive (X2) was 0, then the amount of the dependent variable (transfer pricing) was -1,775.
2. The influence of X1 on Y, the variable value of the tax amount (X1) was 0.264, this showed that the higher the tax rate, the more likely it was for the company to practice the transfer pricing with the assumption that the other variables were constant.
3. The influence of X2 on Y, the value of the tunneling incentive variable (X2) was 0.296, this showed that the higher the tunneling incentive, the more likely it was for the company to practice the transfer pricing, assuming the other variables were constant.

Hypothesis Test

Partial Test (T Test)

The T test was used to measure the level of partially significant influence between the independent variables, which were the amount of tax (X1) and tunneling incentive (X2) on the dependent variable, which was transfer pricing (Y). The t test was as follows:

Table T Test Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	**(Constant)**	-1,775	,245		-7,243	,000
	Tax Amount	,264	,130	,146	2,025	,044
	Tunneling Incentive	,296	,070	,304	4,217	,000

Source: SPSS 26 (2020) Software Output Data

Based on the Table 7, it was known that the variable X1 tax amount had the significant value of 0.044<0.05 and the t count value of 2.025>t table 1.97346, thusHa1 was accepted and Ho1 was rejected. And it could be concluded that the tax rate variable partially had a positive effect on the transfer pricing. The X2 tunneling incentive variable had the significant value of 0.000<0.05 and the t count 4.217> t table 1.97346, therefore Ha2 was accepted and Ho2 was rejected.And it could be concluded that the tunneling incentive variable partially had a positive effect on the transfer pricing.

Simultaneous Test (Test F)

The F test was carried out to measure the level of significant influence simultaneously between the independent variables which included the tax amount (X1) and tunneling incentive (X2) on the dependent variable, which was transfer pricing (Y). The F test was as follows:

Table 8 TheResult of Test F

Model		Sum of Squares	df	Mean Square	F	Sig.
1	**Regression**	18,904	2	9,452	11,027	,000[b]
	Residual	146,578	171	,857		
	Total	165,482	173			

Source: SPSS 26 (2020) Software Output Data

Based on the table above, it was known that the significant value was 0.000<0.05 and the value of F count was 11.027>F table was 3.05, thus Ha3 was accepted and Ho3 was rejected. Therefore it could be concluded that the two independent variables, (the tax amount and tunneling incentives) simultaneously had a positive effect on the dependent variable which was transfer pricing.

MultipleCoefficient Determination Test (R2)

The test of Coefficient Determination was used to determine the influence percentage of the independent variable simultaneously on the dependent variable. R2 ranged from 0-1, if the value of R2 was equal to 0, then there was no influence percentage of the independent variable on the dependent variable or the independent variable did not explain the variation inside it. The result of the Coefficient Determination of R2 was showed in the following table:

Table 9The Result of Multiple Coefficient Determination Test (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,338[a]	,114	,104	,92584

Source: SPSS 26 (2020) Software Output Data

The Result ofMultiple Coefficient Determination Test (R2) in the table above showed that the R square was 11.4%. This result showed that the ups and downs of transfer pricing were influenced by the tax amount and tunneling incentive of 11.4%, while the remaining 88.6% was influenced by other variables than the variables studied.

DISCUSSION

The results of this study showed that the tax amount had a significant value of 0.044<0.05 and the T test result of 2.025>1.97346. This indicated that the tax amount had a positive effect on the transfer pricing. Tunneling incentive had a significant value of 0.000<0.05 and the test result was 4.217>1.97346, which meant that tunneling incentive had a positive effect on the transfer pricing. Thus, Ha1 and Ha2 were accepted, while Ho1 and Ho2 were rejected. Based on the F test result, it was known that the significant value was 0.000<0.05 and the F test value was 11.027>3.05, thus Ha3 was accepted and Ho3 was rejected. This showed that the tax amount and tunneling incentive simultaneously had a positive effect on the transfer pricing. And the result of the coefficient determination

showed that the tax amount and tunneling incentive influenced the transfer pricing by 11.4% and the rest was influenced by other variables.

The Influence of Tax Amount on Transfer Pricing Decisions

Based on the result of the partial test in the table 7 which showed that the tax amount had a positive effect on the transfer pricing, this meant that the higher the tax amount borne by the company, then the companies in the Basic Industrial and Chemical Sector and the Trade, Service and Investment Sectorlisted on the Indonesia Stock Exchange to carry out transfer pricing with related parties in order to minimize the burdenwill increase. The result of this study supported the research conducted by Deanti, (2017); Kurniawan et al. (2018); and Wafiroh and Hapsari, (2015) who found that the tax amount had a positive effect on transfer pricing decisions. Where the transfer pricing transactions were carried out with companies having special relationship which were outside the state boundaries that had low tax rates with the aim of transferring their assets, thusthe tax burden borne would be smaller. To minimize the tax burden borne, the company would definitely try to report a small profit in its financial statements by carrying out transfer pricing, which was by transacting with the affiliated companies or with the related parties in other countries by manipulating transfer prices or by determining unreasonable prices. And the higher the tax amount borne by the companies, then the more likely it was for them to carry out the transfer pricing.

The Influence of Tunneling Incentive on Transfer Pricing

Based on the result of the partial test in the Table 7 showing that tunneling incentive had a positive effect on transfer pricing, then it meant that the increasing tunneling incentive would increase the decision of companies in the Basic Industrial and Chemical Sector and the Trade, Service and Investment Sector listed on the Indonesia Stock Exchange to carry out transfer pricing with the related parties. The result of this test supported the research conducted by Kurniawan et al., (2018); Marfuah and Azizah, (2014); Mispiyanti, (2015); Wafiroh and Hapsari, (2015) who found that tunneling incentive had a positive effect on transfer pricing, in which the company did tunneling with the company selling products at a lower price than the market price to the related parties (Marfuah and Azizah, 2014). If the largest shareholding or majority shareholders were owned by foreigners, it could trigger the possibility for them to conduct tunneling incentive by transferring the assets and profits of the companies by transacting with the affiliated

companies by manipulating the prices and determining the unreasonable market prices to seek the majority's personal gain and the burden is borne by the minority shareholders.

The Influence of Tax Amount and Tunneling Incentive on Transfer PricingDecisions

The simultaneous test result in the Table 8 showed that the tax amount and tunneling incentive simultaneously had a positive effect on the transfer pricing. This showed that if the tax amount and tunneling incentive increased, then the decision of companies in the Basic Industrial and Chemical Sector and the Trade, Service and Investment Sector listed on the Indonesia Stock Exchange to carry out transfer pricing would also increase in which if the shareholding owned by the foreign parties was getting bigger, then it would encourage the companies to move the assets or profits out of the them to another country or to a related party by determining an unreasonable market price in order to minimize the tax burden. The independent variable affected the dependent variable by 11.4%, while the rest was influenced by variables other than the variables studied.

CONCLUSION

Based on the research conducted with regression analysis and the discussion results, the conclusions which could be drawn were as follows:

1. Tax had a positive influence on the transfer pricing decisions for the companies in the Basic Industrial and Chemical Sector and the Trade, Service and Investment Sector listed on the Indonesia Stock Exchange (IDX) in the period of 2015-2020. They carried out transfer pricing to the affiliated companies or to the related parties located in different countries by manipulating the transfer prices and by determining the unreasonable market prices,thusthey could minimize the tax to be paid, and the higher the tax amount borne by them, then the more it would trigger them to perform the transfer pricing.
2. Tunneling incentive had a positive influence on the transfer pricing decisions for the companies in the Basic Industrial and Chemical Sector and the Trade, Service and Investment Sector listed on the Indonesia Stock Exchange (IDX) in the period of 2015-2020. The majority shareholding owned by foreign parties could trigger the controlling or the majority shareholders to conduct tunneling incentive, which was by transferring the assets and profits of the companies to a related party or an affiliated company to seek the personal benefit for them.
3. The tax amount and tunneling incentive simultaneously had a positive influence on the transfer pricing decisions in the Basic Industrial and Chemical Sector and the Trade, Service and Investment Sector listed on the Indonesia Stock Exchange. When the tax amount and tunneling incentive increased, the decision for companies to carry out transfer pricing would increase. In the hypothesis test, the variable of the tax amount and tunneling incentive had an effect of 11.4% on the transfer pricing variable, while the remaining 88.6% was influenced by other variables.

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