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TRANSFER PRICING MULTINATIONAL COMPANIES IN INDONESIA: THE ROLE OF *GOOD GOVERNANCE COORPORATE* (GCG), TUNNELING INCENTIVE AND LEVERAGE

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Abstract

This study aims to determine the effect of GCG (Good Corporate Corporation), tunneling incentive, leverage on transfer pricing. Theoretical benefits contribute to knowledge about transfer pricing and practically provide input on policies for MNCs in conducting transfer pricing. This study had a population of MNC companies in the manufacturing sector in 2010 – 2019. The selected sample were 24 companies. The sampling technique used purposive sampling. Selected companies based on ownership percentage of 20% or more during 2010-2019. This study resulted in a finding that GCG has no effect on transfer pricing. The second finding showed that Tunneling Incentive (IT) has an effect on transfer pricing. Third, leverage has no positive and insignificant effect on the company's transfer pricing.

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1. Introduction

The development of international trade in each country cannot be separated from things that are and will take place in global economic activities. The rapid growth of global economic activity has also stimulated the development of multinational companies (Widjaja et al., 2021). Multinational companies have some transactions and economic activities occur such as sales transactions, purchasing raw materials, providing services, and so on (Sa'dani dan Hidayatulloh, 2021). Multinational companies easily determine the price of goods, services, or intangible assets for business motivation purposes. Companies carry out transfer pricing on multinational companies aimed at maximizing global profits, or the opposite, minimizing global taxes, maximizing profit sharing and motivating managers for capital development and capital autonomy.

Transfer pricing is an MNC effort to reduce the nominal value of income tax on to subsidiaries with the lower expenses (Yunidar dan Firmansyah, 2020). MNCs pursuing high profits will be hampered if the tax rate is high. This can be overcome by providing tariffs low tax or a country with a tax haven country status, namely with a low rate of tax payment obligations. Taxpayers in accordance with fairness and business that are not influenced by special relationships with independent price comparisons, resale, cost plus and others (Setiawan, 2018). MNCs in developing international markets get opportunities that are not available in the domestic market because they differ in competitive advantages such as infrastructure, access to raw materials, customer access, production costs, technological advances(Cabrera-alvarado et al., 2013).

Transfer pricing cases such as star buck UK, Amazon UK and Geogle UK as much as £398 million. Losses of up to £ 112 million, or about Rp. 1.7 trillion. Starbucks received sales for 3 years (2008-2010) reaching £ 1.2 billion or Rp. 18 trillion. Google UK received £398 million in revenue but £6 million in taxes in 2011(Wahyudi et al., 2021).

Transfer pricing carried out by companies with transactions that reduce the selling price with revenue tranferring at the countries with rather rate which low (Hikmatin dan Suryarini, 2019). *Transfer pricing* carried out by companies with transactions that reduce the selling price with revenue tranferring at the countries with rather rate which low (Hikmatin dan Suryarini, 2019). GFI (2022) reports that the potential revenue of the United States government from higher taxes lost because the practice of TP reaches hundreds of billions of US dollars per year. Christian Aid from 2019-2021 estimates that the potential lost tax in bilateral relations between the United States and the European Union is US$ 1.1 trillion. This does not include the United States and other countries outside the European Union. The numbers are fantastic. Even the Christian Aid report (2022) estimates that tax evasion from transfer mispricing and false invoicing is around US$160 billion annually. GFI (December, 2021) released that illegal financial flows from developing countries to developed countries in 2021 reached US$ 859 billion, an increase of 11% from 2020 which amounted to US$ 776 billion. In the 2019-2021 decade, the highest figure occurred in 2021 amounting to US$ 871.3

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billion. In the 2019-2021 range, developing countries worldwide lost their potential income of US$5.86 trillion. If averaged, it is around US$586 billion annually. The GFI study conducted in these five periods also found a map of the distribution in each region of illicit financial flows from developing countries as shown in Figure 1.

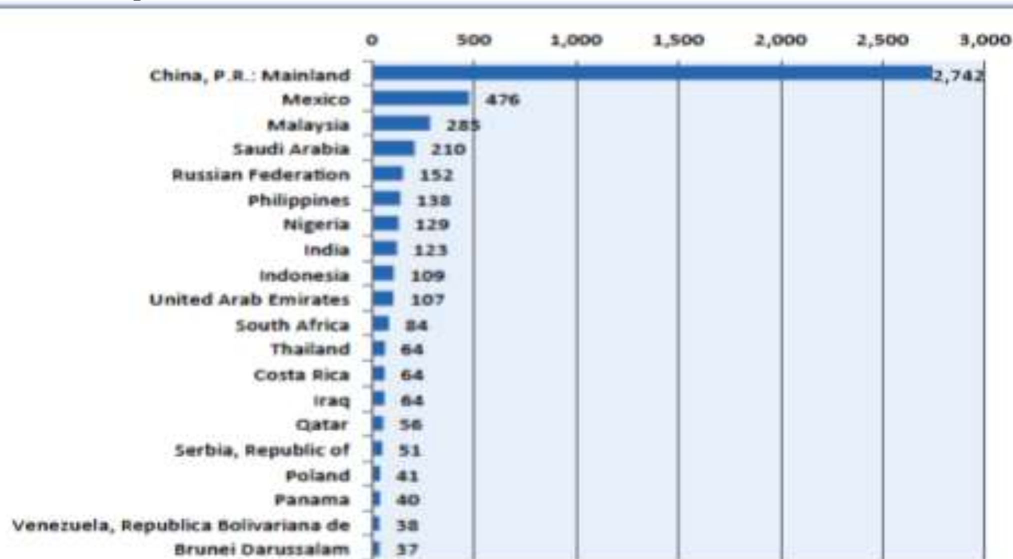

Figure 1. Distribution of Illegal Financial Flows in Developing Countries

Figure 1 explained that from the existing list, Indonesia was ranked the ninth largest. In 2019-2021 the total illegal money coming out of Indonesia is US$ 123 billion. If averaged annually about US $ 10.9 billion. GFI added that from various types of illicit financial flows practices in this decade, the practice of transfer mispricing contributed 80.1%. While the practice of corruption, bribery, theft and others accounted for 19.9%. Based on the total illicit financial flows estimated by GFI, this amount is 10 times the total official development assistance (ODA) of US$ 88 billion. This means that for every US$1 earmarked for development assistance to developing countries, there will be US$10 of illicit money that comes out of developing countries to developed countries. The practice of illicit financial flows which is dominated by the practice of TP is a very big global problem. This is closely related to bilateral and multilateral relations between countries. The most basic consequence of this practice, especially for developing countries, is the decreased ability to increase state revenues from the tax sector. Even though taxes are the main source of state revenue, even in some developing countries, taxes contribute more than 80% of total income.

There are several aspects that influence the industry's decision to implement transfer pricing. The implementation of levers of control that is tried by the industry has more or less influenced the industry's decision to practice good, clean, law-abiding industrial governance and ignore areas that are based on great social values of cultivation (GCG). GCG is a mechanism that aims to optimize shareholder wealth, where the mechanism is implemented considering the interests of all stakeholders and complying with government regulations and agreements made with stakeholders (Yunidar dan Firmansyah, 2020). A matter

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can allow GCG to be considered and influence industry decisions in implementing transfer pricing. The elements of good corporate governance include; shareholders, directors, commissioners, managers, employees, audit committees, investors, public accountants, audit quality and so on (Noviastika, 2016). Companies that have good governance will consider all their activities, especially for activities that deviate from the rules. This can enable good corporate governance to influence companies in conducting transfer pricing. Basically, good corporate governance is motivated by agency theory, which basically arises when a company is separated from its ownership. The owner as a supplier of capital delegates his authority over the management of the company to a professional manager. As a result, the authority to use the company's resources is entirely in the hands of the executive. It acts in the best interests of the owner because of a conflict of interest. Managers and the information they possess act only to benefit themselves at the expense of the owner's interests because managers have company information that they do not have (Asymetri Information) (Hartanti dkk, 2015).

Tunneling incentive transferring energy sources, in the form of inheritance, profit sharing, as well as granting special rights from the majority shareholder who distributes losses for minority shareholders. The avergae of level in the current and previous reporting periode of ingatables considere a proxy for industry to transfer revenue (Rogers dan Oats, 2022). The objectives of this research are 1) to analyze the effect of GCG on transfer pricing; 2) Analyzing effect of tunnelinmg incentif on transfer pricing and 3) to analyzing the effect of leverage of transfer pricing. Saraswati and Sujana (2017) reveal that transactions between affiliated parties are used to transfer other current assets through unfair pricing in the interests of shareholders. Purchasing goods and services above their fair value and selling goods and services below their fair value is one way of implementing tunneling. The results of research by Yuniasih, *et al* (2012), Saraswati and Sujana (2017), and Marfuah and Azizah (2014) prove that tunneling incentives have a positive effect on transfer pricing.

The urgency of the research is based on the existing research gap from previous research. Previous research that found about transfer pricing is explained from the GCG variable, tunneling incentive and leverage. Meanwhile, this research was conducted on all MNC companies in Indonesia by testing the model of GCG, tunneling incentive and leverage on transfer pricing. The objectives of this research are 1) to analyze the effect of GCG on transfer pricing; 2) Analyzing effect of tunneling incentif on transfer pricing and 3) to analyzing the effect of leverage of transfer pricing.

2. Literature Review

Agency Theory

Agency theory as teh bond between agent and principal in the industry about manager or board of directors who acts as a decision maker in carrying out the industry and the principal is the industry owner or shareholder who evaluates data or manages the course of the industry (Sarwoko, 2016). The agency bond is an

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“agency relationship as a contract under which one or more person (the principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decisions making authority to the agent”. This means that agency theory is a bond between the agent (management of a business) and the principal (shareholder). In an agency relationship, *Agency theory* describes an agency bond that arises because there is a contract between the owner (principal) and manager to delegate decision making. Principal is the shareholder or owner of capital and the agent is the management that manages the industry. The essence of the agency bond is that there is a division of use between ownership in the capital owner and control on the part of stock management or capital owner and the agent is the management that manages the industry. In particular, agency theory discusses the existence of agency ties (Sarwoko, 2016). Based on this, it can be concluded that agency conflicts occur because there is a data discrepancy related to the transfer which causes managers to have more data than shareholders. A concentrated ownership structure means that one party had control that arise will be different. This problem changes to majority shareholders with minority shareholders (Rogers dan Oats, 2022).

Managers in agency bonds are parties who have full data in the industry, starting from the work area, personal capacity, and industry prospects in the future. However, sometimes there is data that overwrites the industry that is not disclosed by the manager to the owner of the capital. To reduce this, supervision and control are needed to ensure that what managers do is in accordance with the requirements prevailing in the industry. This supervision and control requires a fee which is commonly referred to as agency cost. Agency costs are used to finance supervisory and control activities on the behavior of managers so that they do not deviate and are in line with what is expected by shareholders.

The relationship between agency theory and transfer pricing is based on the assumption that human nature explains that each individual will tend to focus on his own interests so that agency problems can arise because there are parties who have different interests but work together in different divisions of tasks. The agency problem can harm the principal who is not directly involved in managing the company so that the principal only has limited access to information. The authority to manage the company's assets given by the principal to the agent can make the agent put aside the interests of the shareholders by taking advantage of the incentives to carry out transfer pricing with the aim of reducing the taxes that must be paid. With the agency theory, it is hoped that the problem of differences in interests between principals and agents can be reduced and proper control is needed to be able to align the differences in interests that occur between principals and agents.

Transfer Pricing

The OECD (Organization for Economic Cooperation and Development) (2009), transfer pricing is: “Price at which a company undertakes any transactions with associated enterprise. When a company transfers goods, intangible property or services to a related company, the prices charged is defined as a transfer price.”

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Kurniawan (2015) reports that transfer pricing is universally an industrial policy in ensuring a transaction between parties. Suandy (2016) said that transfer pricing to divided two as the interpretation of a neutral nature and an interpretation of a pejorative character. Effect tax avoidance on transfer pricing mode, it is by engineering the imposition of transaction prices between companies that have special ties in order to minimize the total tax burden owed on the industry team.

This assumes that transfer prices was a strategy business and reducing tax burden. On the others, there are asummes that the transfer pricing effort to reduce tax burden to get profit to countries with lower tax rates (Suandy, 2014). Transfer pricing was a decision to overide the price determination for transaction of goods and services to industries.

GCG and Transfer Pricing

For Cadbury in Sutedi (2012) reports that GCG is a process and structure used by industrial organs to increase business success and industrial accountability based on statutory regulations and ethical values. For Effendi (2019), GCG is a set of systems that aim to control and regulate the industry to generate added value for stakeholders. GCG is definitively a system that controls and regulates industries that generate added value for all stakeholders (Monks and Minow, 2013). Minister of BUMN NO: PER-01/MBU/2011 GCG is GCG, hereinafter referred to as GCG are the principles that underlie a process and mechanism for industrial management based on statutory regulations and business ethics. GCG principles which consist of transparency, accountability, responsibility, independence,

Sutedi (2012) said GCG a structrure and process with organization tp increase bussiness success and acountability in order in the long term. There is also the Center for European Policy Study (CEPS) which defines GCG as all systems that are built starting from rights, processes and controls both inside and outside industrial management with a record that rights here are the rights of all stakeholders and are not only from one stakeholder.One component of GCG used in this research is audit quality. Audit quality can be defined not something will check audtors. Transparancy was a principle GCG. Audit quality of an industry, so that the industry tends not to want to manipulate profits for tax purposes. One method of tax avoidance is transfer pricing. The research results of Inola and Anne (2017), Wahyu et al., (2021) show that GCG has a positive effect on the transfer pricing. The formulated hypothesis is as follows:
H1: GCG strengthens the effect of taxes on the company's transfer pricing.

Tunneling Incentive and Transfer Pricing

Klassen, et al (2013) explains that tunneling incentive is an activity of majority shareholder without regard to monotypic shares in two forms, namely, controlling shareholder transfers company assets to himself through transactions with owners through asset sales, transfer price contracts, executive compensation, grants loans, and more. The second form, the majority shareholder does not transfer assets through the issuance of dilutive shares or financial transactions so that the monoty- rity shares suffer losses (Brundy, 2014).

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Marfuah and Azizah (2014) explain how to reduce and prevent tunneling, by implementing an effective supervisory mechanism carried out by parties who are considered independent limiting the scope of controlling shareholders in tunneling activities. Related party transactions with the controlling shareholder's opportunistic objective to tunnel. In the form of a sale or purchase transaction to transfer cash or other current assets, you get power and incentives (Mispiyanti, 2015) This is consistent with (Hartati et al., 2015) which explains that share ownership in public companies in Indonesia causes concentration, causing tunneling. (Mispiyanti, 2015) Hung Chan, et al., (2016), Agnes et al., (2018) found that tunneling incentives have a positive effect on the decision to transfer pricing. The hypotheses formulated are as follows:
H2: Tunneling Incentive has a positive effect on the company's transfer pricing

Leverage and Transfer Pricing
Prakosa (2014) explains that debt is an act of fulfilling sources of funds in carrying out operations. The larger the debt, the smaller the taxable profit due to the large debt interest incentives. Companies borrowing funds in the form of debt will cause high debt interest so that it will reduce taxes (Indahningrum et al., 2020).

Kasmir (2018) explains that leverage to meet long and short-term obligations if the company is liquidated. This will increase the interest expense. Brealey and Marcus (2008) state that the leverage ratio is the use of company debt that affects risk and return. The debt ratio is measured by the debt to equity ratio, which is a ratio to assess debt to equity which explains the ratio of debt and equity as well as the company's own capital ability to pay its obligations (Sa'dani dan Hidayatulloh, 2021) Amrie and Artikayara (2020), Nisa et al., (2021) explain that leverage encourages transfer pricing witx tax burden. found that leverage has a positive effect on transfer pricing. The hypotheses formulated are:
H3: Leverage has a positive effect on the company's transfer pricing.

3. Research Methods

This study was an explanatory research that explains the causal relationship between independt and dependen variable, namely GCG, tunneling incentive, and leverage on the dependent variable, namely transfer pricing. The research population were a multinational industry in Indonesia which is listed on the IDX. The illustrations were selected based on a purposive sampling procedure with the criteria that the industry is controlled by a foreign industry with an ownership with 20% or more in 2010-2019. Industries that provide financial reports or complete information reported in 2010-2019. The type of information was secondary information in the form of a manufacturing industry financial report published by the Indonesia Impact Exchange. Research variable were the independent variable GCG (KA) is measured by the industry audited by KAP Big 4. KAPs affiliated with the Big Four are considered to have a better reputation. KAPs affiliated with the Big Four are considered capable of providing high quality audit services. The selection of external auditors is a dummy variable, so it

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is coded 1 if the company chooses a KAP that has been affiliated with the Big Four, and coded 0 if it chooses a KAP that is affiliated with the non-Big Four.

Tunneling Incentive (TI) is measured by the comparison of foreign share ownership. Tunneling incentive is an activity of transferring resources, both assets, profit sharing and the granting of special rights granted by the majority shareholder to the minority shareholder to obtain benefits for the majority shareholder and have a detrimental impact on the minority shareholder (Deanti, 2017). The measurement of tunneling incentive uses foreign shareholders with a share ownership percentage of 20% or more and Leverage (LV) is the ratio of debt and inheritance. The dependent variable was Transfer Pricing (TP). Leverage shows the company's ability to meet obligations financially. The higher the leverage value, the more it shows that debt very dominant to finance company assets Information analysis procedures are classical assumption analysis to test the quality of information and multiple linear analysis to find the regression equation. Tunneling Incentive (TI) is measured by the ratio of foreign share ownership and Leverage (LV) is the ratio of debt and inheritance. The dependent variable was Transfer Pricing (TP). Information analysis procedures are classical assumption analysis to test the quality of information and multiple linear analysis to find the regression equation. Tunneling Incentive (TI) is measured by the ratio of foreign share ownership and Leverage (LV) is the ratio of debt and inheritance. The dependent variable was Transfer Pricing (TP). Information analysis procedures are classical assumption analysis to test the quality of information and multiple linear analysis to find the regression equation.

4. Results

The population of study were all manufacturing multinational companies listed on the Indonesia Stock Exchange (IDX) between 2010-2019. Based on data obtained from the IDX, the number of manufacturing multinational companies in 2010-2019 amounted to 156 companies. There were 22 companies that were delisted. Foreign ownership is less than 20% as many as 35 companies and suffered losses as many as 33 companies. Based on the sampling criteria, 64 sample companies were selected as presented in Table 1.

Table 1. Sample Selection Process

Number	Information	Quantity
1	Total multinational manufacturing companies	156
2	Delisting During the Study Period	(22)
3	Foreign ownership less than 20%	(35)
4	Experiencing Loss During the Study Period	(33)
5	Incomplete financial statements	(2)
6	Number of Research Samples	64
7	Number of observations 64 x 10 years (N)	640

Source: Processed Data (2022)

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Table 1 explains that the number of selected samples is 64 companies. The number of observations for 10 years is 640 observations. The results of statistical tests were tried in addition to the dummy variables. In this case, audit quality uses a dummy variable explaned Table 2.

Table 2. Descriptive Statistic

Variable	Minimum	Maximum	Standard Deviation	Means
Tunneling Incentive (TI)	0,176%	0,925%	0,197%	0,568%
Leverage	0,001%	4,5%	0,414%	0,496%
Transfer Pricing	0,010%	0,930%	0,143%	0,143%

Table 2 explained that the average Tunneling Incentive (TI) was 0,568% between minimum 0,176% and 0,925%. Standar Deviation was 0,197% means TI displays a fairly large spread of information, which continues to avoid the average value. The lowest Tunneling Incentive (TI) value of 0,176% shows that lower Tunneling Incentive (TI) occurs in a low. Tunneling Incentive (TI) is more likely to be attempted on the majority shareholder than for the low minority shareholder. In contrast, the highest Tunneling Incentive (TI) value of 0,925% shows that share ownership is understood by most shareholders.

Leverage had means as 0,496. This minimum value as 0,001% and maximum as 4.5% and deviation standar was 0,414% means that leverage had a level of information distribution that avoids the average with the alteration of the spread which continues to be large. The means of profitability is 8,045%. This shows that the source of industrial funds obtained from debt is very small at 0,001%. On the other hand, the highest leverage value is 4,5% means that the source of industry funds is obtained from external funding sources, namely debt. Investors or creditors will prefer low leverage values because the level of security of their funds continues to be good. Likewise, vice versa, if the leverage is large, the financial risk is also large. If it continues to be risky, usually investors or creditors will ask for a bigger reward.

The means of transfer pricing was 0,143%. The lowest was 0,010% and maximum value 0,930% with deviation standar of 0,143% means that the transfer pricing with the dimensions of information dissemination continuing to be small. This means that the pricing for various transactions is categorized as low. Table 2 showed a regression result as.

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Table 3. Results of Multiple Linear Regression Analysis

Model	*Standardized Coefficients*	t	Sig.	Information
	Beta			
(Constant)	-2,301	-10,126	0,000	-
GCG (KA)	0,104	2,468	0,014	Significant
Tunneling Incentive (IT)	0,117	2,474	0,014	Significant
Leverage (LV)	0,061	1,464	0,144	Not significant

Source: Processed Data (2022)

Based on the results of the analysis in the regression equation can be described:

$$Y=- 2, 301+ 0, 104KA+ 0, 117TO+ 0, 061LV+e$$

The description of the results of the regression model equation obtained is as follows:

a. The coefficient of GCG of 0,104 means that the Tunneling Incentive (IT) and *Leverage* (LV) are constant if industrial governance (GCG) continues to increase so that the industry's decision to implement transfer pricing will continue to be large.
b. The Tunneling Incentive (TI) regression coefficient of 0,117 means that in GCG and Leverage, it is constant, if the Tunneling Incentive (IT) continues to increase so that the industry's decision to implement transfer pricing will continue to be large.
c. The Leverage regression coefficient of 0,061 means that the GCG and Tunneling Incentive (IT) are constant so that if Leverage continues to increase by 1%, the industry's decision to implement transfer pricing will continue to increase.

Based on the results of hypothesis testing using the t-test in Table 1 explained

a. GCG had a significance level as 0,014 and 0,014 less than (= 0,05). It means GCG had positive and significant effect to transfer pricing. Hypothesis H1 explained that GCG has a positive influence on industrial transfer pricing is tested.
a. Tunneling Incentive has a significant level as 0,014 less than (= 0,05). Tunneling Incentive had a positive and significant influence towards industrial transfer pricing. Hypothesis H2 explained that Tunneling Incentive (TI) had a positive effect on transfer pricing is tested.
b. Leverage significance level is 0, 144 more than (= 0, 05) which hypothesis H3 which reports that leverage had a positive effect on transfer pricing is not tested.

F test showed F significance of 0,000 less than (<) 0,05) to accept Ho and reject Ha. This means that GCG, Tunneling Incentive and Leverage had a significant effect on transfer pricing industry simultaneously. The coefficient of determination from the adjust r square of 0,140 or 14%, meaning the proportion of the simultaneous influence of taxes, GCG, Tunneling Incentives and Leverage on

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transfer pricing by 14% on the contrary the remaining 84% is effect from variables outside. Based on the results of information of each effect of GCG, Tunneling Incentive and Leverage on industrial transfer pricing, it is described as follows.

The Effect of GCG on *Transfer pricing*

GCG had a positive and significant effect on transfer pricing. GCG to influence the industry in implementing transfer pricing. GCG measured by audit quality as. Transparency had significant principle in GCG. This can be tried with the method of notifying matters related to taxation on the capital market and the GMS. Annisa and Kurniasih (2012), explained *tax avoidance* on transfer pricing. If an industry is audited by the Public Accounting Firm (KAP) of The Big Ten, it will continue to be difficult to implement harsh tax policies. Continuing to be a quality audit of an industry, so that the industry is less likely to carry out profit manipulation.

Based on the Agency Problem theory, it is explained that industrial audits reduce the data asymmetry that exists between management and industry stakeholders by allowing parties outside the industry to verify the validity of financial statements. This suggests that quality of audit had positive significant on transfer pricing. This study consist of Annisa and Kurniasih (2012) and Noviastika et al (2016) who found that GCG significantly influences the industry's decision to implement transfer pricing.

Effect of Tunneling Incentive on Transfer Pricing

Tunneling Incentive had a positive and significant effect on transfer pricing. Tunneling Incentive (IT) continues to grow so that the industry decides on transfer pricing. This is in line with the comments of Hartati, et al., (2014) explained that tunneling incentive is an attitude for common share hoolder with profits industry and the payment are charged to minority.

This study consist with Sari (2012) explained that tunneling incentive improve transfer pricing. The availability of financial energy sources in the industry that is about to be tunneled. With the control and significant influence they have, the controlling shareholder can take policies that benefit themselves, including contractual policies with parties that have special ties. This study consist too with Hartati et al., (2014), Wafiroh and Hapsari (2015), and Noviastika (2016) wihich explained that Tunneling Incentives has a positive effect on transfer pricing.

Influence Leverage to Transfer pricing

Leverage hadnot positively and significantly effect on transfer pricing. This means that if leverage continues to be large, it will not determine the industry's decision to implement transfer pricing. The industry used debt for industrial surgery activities. The accumulation of several debts of an industry will result in an interest expense which reduces the industry's tax burden (Kurniasih dan Ratna Sari, 2013)

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This sudy showed leverage cannot improve transfer pricing. Because the industries had a various funding in carrying out in bussines. Leverage measure assets finance by debt. Industries that have a large tax liability will choose to borrow to reduce taxes. The industry is deliberately indebted to reduce the tax burden, so it can be said that the industry is tax ruthless. Multinational industries usually finance members of these industrial groups with debt and/or capital transfers (Richardson et al, 2013).

This study wasnot consist with Grant et al., (2013) who explained that leverage could be an urgent aspect of transfer pricing aggressiveness with reduce tax burden. Grant, et al. (2013) explained that leverage has a positive influence on transfer pricing. This study compatible with (Hartati et al., 2015) showing that leverage does not affect the industry's decision to implement transfer pricing. This research presents results that do not fully respond to the research objectives.

5. Conclusion and Suggestion

The conclusions of this study among others: 1) GCG hadnot a positive and significant effect on transfer pricing. Hypothesis H1 was tested: 2) Tunneling Incentive had a positive and significant effect on i transfer pricing cause that Hypothesis H2 was tested; 3) Leverage hadnot a positive and significant effect on i transfer pricing cause that Hypothesis H3 wasnot not tested. This research has limitations which are described as follows: 1) This research is a proxy for transfer pricing without macro variable as infaltion, economics, political; 2) This study hadnot equate the information contained with variables outside the industry such as government regulations, and the legal system of a country in which these variables effect on transfer pricing. Some of the research recommendations include 1) For industry, it is better to be vigilant in adopting transfer pricing. Because a good and maximum transfer pricing will be able to improve the continuity of the industry; 2) The need for more in-depth research that needs to be tried by the next researcher add variables that can affect transfer pricing micro and macro variable.

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