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# The Effect of Taxes, Foreign Ownership, and Company Size on Transfer Pricing

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**Abstract**

*Transfer pricing is a decision regarding pricing of goods and services transactions to companies that have a special relationship in accordance with the principle of fairness. This study aims to analyze the effect of tax, foreign ownership and company size on transfer pricing in various industry sector companies listed on the Indonesia Stock Exchange for the period 2016 to 2018. The sample selection in this study was carried out using the purposive sampling method and 45 samples were obtained company. The data used is data from the financial statements of the sample companies which are published through the website www.idx.co.id and the official website of each company. The research method used is a quantitative method. The method used is multiple linear regression. Before using regression analysis of regression analysis, the classic assumption test is first performed which includes the normality test, multicollinearity test, autocorrelation test and heteroscedasticity test. Testing in this study was carried out using SPSS software version 25 for windows. The results of this study indicate that tax and foreign ownership have no effect on transfer pricing, while company size has an effect on transfer pricing.*

Keywords
tax; foreign ownership; company size and transfer pricing

## I. Introduction

The increasingly fierce business competition and the increasingly widespread world economic crisis have forced many companies to do their best to survive, especially for companies that go public or multinational companies looking for investors and shareholders. The increasingly fierce competition makes managers act effectively in developing their companies to compete and get maximum profits. The current economic developments have a significant influence on the business patterns and attitudes of business people. The economic condition of the population is a condition that describes human life that has economic score (Shah et al, 2020).

Multinational Corporations (Multinational Corporations/MNCs) operate across borders between countries, which have unique relationships, either in share capital, management control, or use of technology, such as subsidiaries, agents, and various other relationship motives. There are three main motives for the establishment of an MNC, namely: (1) Expanding the business to find or increase raw materials and sell their products abroad. (2) Searching for markets and expanding the marketing reach of the company's products. (3) Mitigating costs such as taxes, cheap labor, stock prices, cheap land prices, and other processing costs (www.academia.edu). Definition of special relationship in the income tax law. Article 18, paragraph 4 of Law Number 36 of 2008 states that the scope of a special relationship occurs if there is a statement of ownership directly or indirectly at

least 25% in other taxpayers. Another understanding of a special relationship occurs when a declaration of ownership is directly or indirectly under the same control.

Companies will face several problems within the scope of multinational companies, such as differences in tax rates and the costs they incur. The issue of differences in tax rates makes several international companies take decisions to transfer pricing. Transfer pricing methods can also cause several problems related to taxes, customs, anti-dumping provisions, unfair business competition, and issues in the company's internal management. Experts also state that the transfer pricing method can be a problem for companies. Still, on the contrary, the procedure can be an opportunity for abuse for companies pursuing high returns. For companies with subsidiaries in other countries with higher tax rates, it will be a problem because the company will pay more tax costs so that the profit generated is more diminutive. One way to get more profit from sales and tax avoidance is to create a subsidiary in a country with a lower tax rate.

The issue of transfer pricing is becoming increasingly exciting and getting the attention of all tax authorities around the world. From the point of view of the Director-General of Taxes, it is stated that there is no doubt that transfer pricing is very influential on state tax revenues. Developing countries such as Indonesia realize that transfer pricing engineering is a way to divert Indonesian taxes to other countries and shift their tax obligations from countries with high tax rates to countries with lower tax rates. The desire to be able to reduce the tax burden makes companies carry out transfer pricing. Various cases regarding transfer pricing are reported from the page (http://investigasi.tempo.co/toyota), namely, the issue experienced by the automotive king in Indonesia, namely the tax dispute trial between PT Toyota Motor Manufacturing Indonesia (TMMIN) and the Director-General of Taxes. The dispute carried out by PT Toyota Motor Manufacturing Indonesia (TMMIN) occurred because of an inspection carried out by the Directorate General (Dirjen) of Taxes on the sales value and royalty payments of TMMIN.

PT Toyota Motor Manufacturing Indonesia (TMMIN), which is related to transfer pricing engineering practices, namely PT Toyota Manufacturing Indonesia (TMMIN), announced that the export performance of whole cars recorded a record number of more than 118 thousand units; this amount is equivalent to 70% of the total export of vehicles from Indonesia in 2015. then. If it is added with decomposed car products and other components, the company's export value reaches US$ 1.7 billion or around Rp 17 trillion. The Director-General of Taxes at the Indonesian Ministry of Finance has strong evidence that PT. Toyota Motor Manufacturing takes advantage of transaction opportunities between affiliated companies at home and abroad to avoid paying taxes, better known as transfer pricing. The mode is simple, shifting the burden of excess profits from one country to another that applies a lower tax rate (tax haven). The transfer of expenses is done by manipulating prices unreasonably. It has been revealed that a thousand cars made by Toyota Motor Manufacturing Indonesia must first be sold to the Toyota Asia Pacific office in Singapore before leaving and being sold to the Philippines and Thailand. This is done to avoid paying high taxes in Indonesia. The Directorate General of Taxes at the Ministry of Finance (DGT of the Ministry of Finance) stated that as many as 2,000 multinational companies operating in Indonesia did not pay taxes for loss reasons. The foreign company uses three main modes to avoid paying taxes in Indonesia.

As for other cases in the country, namely, the issue experienced by PT, the Director-General of Taxes checked that PT. Asian Agri is alleged to have evaded taxes worth 1.34 trillion. In general, the manipulation case uses a transfer pricing scheme. The decision to practice transfer pricing engineering is not only influenced by taxes. Still, it can also be

affected by other factors such as non-tax, namely foreign ownership and company size. Companies in Asia mostly have a concentrated ownership structure. The point is that the controlling shareholder has a better position because the controlling shareholder has better access to information than the non-controlling shareholder, thus creating the potential for the controlling shareholder to be deeply involved in the company's management (Dyanty et al. 2011).

According to PSAK No. 15 (Revised 2013). A controlling shareholder is an entity that owns shares of 20% or more either directly or indirectly. The entity is considered to have a significant favorable influence in controlling the company. Transfer Pricing is a transaction made with a foreign party so that foreign ownership in the company can influence the company's decision to transfer pricing. Therefore, the greater the foreign share ownership, the greater the control over the company's management with authority. This practice is called takeover, and one of the ways is by using transfer pricing practices to sell products from controlled companies to private companies by the market of sale prices. (Evan et al 2017 in Kiswanto and Purwaningsing, 2014).

The Director-General of Taxes' rotation also regulates transfer pricing where transactions carried out with special parties must be following the principles of fairness and business practice. Jacob (1996) in Saraswati and Sunjana (2017) found that transfer pricing resulted in lower total taxes paid by companies to the state. This has resulted in a shift in income and profits made by multinational companies. Research conducted by Thesa Refgia (2014), Anita Wahyu Indrasti (2016), and Nancy Kriswanto, Anna Purwaningsih (2014) states that foreign ownership has a positive effect on the company's decision to transfer pricing. Meanwhile, research conducted by Ratna Dewi Kusumasari et al. (2016), Zerni Melmusi (2016) and Dicky Suprianto, Raisa Pratiwi (2017), and Evan Maxentia T. et al. (2017) revealed that foreign ownership did not affect the company's decision to transfer pricing.

Another reason that influences a company's decision to transfer pricing is the size of the company. Company size is a value that shows the size of a company. The size of the company can be known from the total assets of the company; the greater the number of support, the greater the size of the company. Companies that have significant total assets will show that the company has prospects in a relatively long period. Large size will be necessary for investors because it will be related to the investment made; managers who lead large companies have less incentive to do earnings management, including transfer pricing, because companies with significant total assets will pay more attention to recording financial statements.

Research conducted by Ratna Dewi Kusumasari et al. (2018) and Machfirah Aprilia, Fachrizal (2018) proves that company size positively affects transfer pricing. Meanwhile, research conducted by Zerni Melmusi (2016), Thesa Refgia (2014), Nancy Kriswanto, Anna (2014), and Dicky Suprianto, Raisa (2017) revealed that firm size did not affect transfer pricing.

Based on the description above, the researcher wants to re-examine the factors influencing the company's decision to transfer pricing. The elements used in this study are taxes, foreign ownership, and company size. Based on this, the researcher wants to do another research on "The Influence of Taxes, Foreign Ownership and Company Size on Transfer Pricing.

## II. Review of Literature

### 2.1 Transfer Pricing

According to Sodikin (2015: 260) who defines that: "The transfer price is the cost of goods or services transferred internally between responsibility centers within a company." Meanwhile, according to Hansen and Woman (2016: 571) which defines that: "The transfer price is the price charged for a component by the selling division to the buyer division in the same company." In addition, Hartati et al. (2014) define that "Transfer pricing is the price contained in each product or service from one division that is transferred to another division within the same company or there is a special relationship within a company. Besides being able to occur in divisions within a company, transfer pricing can also occur between local companies or companies that occur abroad. Then Suandy (2016: 75) states, "The transfer price is defined as the price set by a multinational company to allocate income from another company to the country that is in the multinational company." From the results of the above understanding, it can be concluded that transfer pricing is a decision regarding the determination of prices for transactions of goods and services to companies that have unique relationships following the principle of fairness.

With the globalization of business, the international aspect of transfer pricing is becoming a more critical concern, especially with tax issues. Other global objectives include minimizing tax burdens, controlling foreign exchange, and dealing with the risk of returns by foreign governments. The phenomenon of the company in its expansion tends to operate its business in a decentralized manner and implement the concept of cost revenue profit or corporate profit center concept, which can measure and assess the work and motivation of each division/unit concerned to achieve company goals. To achieve this goal, among others, a transfer pricing system is used. (Suandy, 2011:66) The company's plans in using the transfer price method include maximizing global income, securing the competitive position of subsidiaries/branches of companies and market penetration, evaluating the performance of subsidiaries/departments of foreign companies, avoiding foreign exchange controls, and controlling the credibility of associations, reduce monetary risk, manage the adequate cash flow of subsidiaries, maintain good relations with local administrations, reduce the burden of imposition of taxes and import duties and reduce the risk of takeovers.

Determination of Transfer Prices According to Sodikin (2015: 262), several transfer pricing methods are often used by companies through the Market-based transfer price method; namely, the market price is the introductory price (goods or services) that occurs in the external market as a result of the end of the bargaining process of all market participants (producers and consumers). If the market is perfectly competitive (perfectly competitive), the market price is appropriate for the transfer price. Furthermore, the method of Negotiated Transfer Price (negotiated transfer price), namely providing an adequate level of authority and controlling divisional profits, requires the possibility of determining transfer pricing based on negotiations. This option assumes that the two business units have the same bargaining position. Still, it is possible that such transfer pricing will take time to negotiate and repeat the examination and revision of transfer prices (transfer pricing), and the last is the cost-based pricing method. -based transfer pricing), namely the cost method used if there is no competitive market price and the negotiated transfer price cannot be determined. To measure managers' performance, the basis for determining transfer prices is standard costs, not historical costs. The use of historical costs can be inappropriate because it can encourage the selling division to work inefficiently.

## 2.2 Tax

According to the Taxation Law (Law No. 36 of 2008), what is meant by taxes are: "Taxpayers' contributions to the state-owned by individuals or entities that are coercive under the law with no direct compensation and are used for state purposes for the greatest prosperity of the people." The definition of tax according to the KUP Law No. 28 of 2007 states: "Taxes are people's contributions to the state treasury based on the law (which can be enforced) without receiving direct service that can be shown and which is used to pay general expenses. According to SI Djajadiningrat (Zerni Melmusi, 2016), states that: "Taxes as an obligation to surrender some of the wealth to the state caused by a situation, event, and action that gives a certain position, but not as a punishment according to the regulations set by the government and can be forced, but there is no direct return from the state, to maintain the general welfare." According to N. J. Feldman, taxes are defined as follows: "Taxes are achievements that are imposed unilaterally by and owed to the authorities (according to the norms that are generally set), without any contra-performance, and are solely used to cover general expenses."

Taxes have a significant role in the state's life, especially in the implementation of development, because taxes are a source of state income to finance all expenditures, including development expenditures. Based on the above, the tax has several functions: budget function, regular end function (regulating function), stability function, and revenue retribution function.

## 2.3 Foreign Ownership

The company's ownership structure comes out due to the comparison of the number of shareholders in the company. Foreign ownership is share ownership owned by foreign individuals or institutions of companies located in Indonesia. Asian companies, especially in Indonesia, use a concentrated ownership structure. Entire ownership structures tend to create conflicts of interest between shareholders. Foreign entities that have shares of 20% or more so that they are considered to have a significant influence in controlling the company are referred to as foreign controlling shareholders. Foreign controlling shareholders in companies whose ownership structure is concentrated will be more concerned with their welfare (Jatiningrum and Rofiqoh, 2004). The success of leadership is partly determined by the ability of leaders to develop their organizational culture (Arif, 2019).

According to Dion (2009) in Refgia (2017), non-controlling shareholders entrust the controlling shareholder to oversee management because the controlling shareholder has a better position and has better access to information. This causes non-controlling shareholders to be in the weakest part, so controlling shareholders can abuse their control rights for their welfare. These controlling foreign shareholders will allow the management to do what they want to benefit themselves.

Foreign ownership is influenced by the number of shares owned by foreign parties and the number of shares outstanding. The number of foreign shares is a reflection or level of enrichment for the company's stakeholders, especially if the company is a public company. Meanwhile, the number of outstanding shares is the level of ownership that has become the ownership of external parties which are usually traded. To determine or become a determinant of the interest ratio of foreign shares, the greater the ownership of foreign shares, the higher public trust in the company.

## III. Research Methods

This research is a type of primary research (basic research); basic research is pure or basic research about the discovery and development of science. This research uses the associative research method. The type of data used in this research is quantitative data. Quantitative data is data presented in the form of numbers. The data used in this study is secondary data in the form of financial statements published and obtained through the Indonesia Stock Exchange (IDX). The data collection method used in this study is documentary data, in the form of the composition of the financial statements of various industrial sector manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2018 period.

This study uses a software tool, namely the Statistical Package for Social Science (SPSS), to simplify the research process and test the truth of hypothesis testing. SPSS software functions to analyze data and perform statistical calculations, both parametric and non-parametric statistics with windows (Ghozali, 2018:15). The latest version is used by IBM SPSS version 25. The data used by researchers in this study was taken through annual reports in 2016, 2017, and 2018 which were accessed from the website www.IDX.co.id. Based on the 2016-2018 sample determination above, 15 manufacturing companies meet the criteria in this study. This study uses temporary data for three observation periods, namely 2016-2018. So that the number of samples in this study was as many as 45 samples of companies, the sample of companies used by researchers in this study can be seen in the following table.

**Table 1.** Research Sample Based on Criteria

| No | Company Code | Company name |
|---|---|---|
| 1. | ASII | Astra International Tbk |
| 2. | AUTO | Astra Otoparts Tbk |
| 3. | IMAS | Indomobil Sukses Internasional Tbk |
| 4. | INDS | Indospring Tbk |
| 5. | LPIN | Multi Prima Sejahtera Tbk |
| 6. | SMSM | Selamat Sempurna Tbk |
| 7. | HDTX | Panasia Indo Resources Tbk |
| 8. | MYTX | Asia Pacific Investama Tbk |
| 9. | RICY | Ricky Putra Globalindo Tbk |
| 10. | TRIS | Trisula International Tbk |
| 11. | BATA | Sepatu Bata Tbk |
| 12. | JECC | Jembo Cable Company Tbk |
| 13. | KBLI | KMI Wire & Cable Tbk |
| 14. | SCCO | Supreme Cable Manufacturing Corporation Tbk |
| 15. | VOKS | Voksel Electric Tbk |

*Source: Secondary Data Processed*

The type of data used in this research is quantitative data. Quantitative data is data in the form of numbers, or qualitative data is scored/scored. Quantitative data used in this study is data obtained in the annual financial report (annual report) related to research variables. The secondary data used in this study is the annual financial statements of companies that have been audited in 2016-2018, which are listed on the Indonesia Stock Exchange. This technique is done by collecting, recording, and testing existing data on

manufacturing companies sourced from the company's annual financial statements. The data analysis method is a technique used to process research results to obtain a conclusion. The data analysis method used in this research uses the multiple regression analysis methods, wherein the regression analysis will test the influence between the independent variable (X) and the dependent variable (Y). This study uses data analysis methods with the help of the SPSS (Statistical Product and Service Solution) program for Windows Version 25.

# IV. Results and Discussion

## 4.1 Regression Analysis

The method of data analysis in this study was carried out by multiple linear regression analysis, which was used to determine whether or not there was an influence of the independent variable on the dependent variable. The following shows the results of multiple linear regression analysis of tax (X1), foreign ownership (X2), firm size (X3) on transfer pricing (Y) using IBM SPSS statistics 25.

**Table 2.** Multiple Linear Regression Analysis Test Results

| | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|
| Model | B | Std. Error | Beta | T | Sig. |
| (Constant) | -108.454 | 60.210 | | -1.801 | .079 |
| Tax | .051 | .530 | .014 | .097 | .923 |
| Foreign Ownership | -.155 | .175 | -.131 | -.883 | .382 |
| Company Size | .736 | .346 | .317 | 2.130 | .039 |

*Source: SPSS Versi 25*

Based on the results of the multiple linear regression analysis in Table 2, the following multiple linear regression equation is obtained:

**TP =** -108.454 + 0.051 PJK - 0.155 KA + (736) UP + e

The constant value of -108.454 explains that if the value of tax (X1), foreign ownership (X2), company size (X3) is 0, then the transfer pricing value is -108.851. The value of the regression coefficient of the tax variable (X1) is 0.051, meaning that if the other independent variables have a fixed value and taxes have increased by 1 unit, and other variables are assumed to be constant, then transfer pricing will increase by 0.051 units. The regression coefficient value for the variable of foreign ownership (X2) is -155, meaning that if the other independent variables have a fixed value and foreign ownership increases by 1 unit and other variables are assumed to be constant, then transfer pricing will decrease by -155 units. The regression coefficient of the company size variable (X3) is 0.736, meaning that if the other independent variables have a fixed value and the company's size has increased by 1 unit and other variables are assumed to be constant, then transfer pricing will decrease by 0.736 units. Hypothesis testing in this study was conducted by t-test. The t-test is used to determine the effect of each independent variable on the dependent variable. The criteria in the t-test are as follows:

a. If the significant level is <0.05, then Ha is accepted, which means that the independent variable affects the dependent variable.

b. If the significance level is > 0.05, then Ha is rejected, which means that the independent variable does not affect the dependent variable.

The following are the results of the t-test carried out using IBM SPSS Statistics 25.

**Table 3.** Statistical Test Results t

| Model | Unstandardized Coefficients B | Unstandardized Coefficients Std. Error | Standardized Coefficients Beta | T | Sig. |
|---|---|---|---|---|---|
| (Constant) | -108.454 | 60.210 | | -1.801 | .079 |
| Tax | .051 | .530 | .014 | .097 | .923 |
| Foreign Ownership | -.155 | .175 | -.131 | -.883 | .382 |
| Company Size | .736 | .346 | .317 | 2.130 | .039 |

*Source : SPSS Versi 25*

Based on the calculations in table 3, it can be concluded that the tax variable has a significant value of 0.923 > 0.05, so it can be concluded that the hypothesis is not accepted. This means that there is no influence between taxes on transfer pricing. So, the results of the study indicate that H1 is rejected and Ho is accepted. Based on the calculations in table 4.13, it can be concluded that the foreign ownership variable has a significant value of 0.382 > 0.05, so it can be concluded that the hypothesis is not accepted. This means that there is no influence between foreign ownership on transfer pricing. So, the results of the study indicate that H2 is rejected and Ho is accepted. Based on the calculations in table 4.13, it can be concluded that the firm size variable has a significant value of 0.039 <0.05, so it can be concluded that the hypothesis is accepted. This means that there is an influence on the size of the company on transfer pricing. So, the results of the study indicate that H3 is accepted and Ho is rejected. The purpose of the analysis of the coefficient of determination is to determine the independent variable's ability to explain the variation of the dependent variable in the regression model. The results of the coefficient of determination analysis in this study can be seen in Table 4 as follows.

**Table 4.** Test Results of the Determination Coefficient ($R^2$)

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .348[a] | .121 | .057 | 7.14432 | 1.672 |

a. Predictors: (Constant), Pajak, Kepemilikan Asing, Ukuran Perusahaan

b. Dependent Variable: Transfer Pricing

From the results of table 4, the dependent variable, namely transfer pricing, which affects the tax variable, foreign ownership. Company size has an Adjusted R2 value of 0.057, meaning that the ability of the independent variable used in this study of 0.057 or 5.7% has a relationship with the remaining transfer pricing dependent variable. That equals 93.4% (100%-5.7%) influenced by other variables that were not carried out in this study.

### 4.2 Testing the Effect of Taxes on Transfer Pricing

Taxes Taxes are mandatory contributions to the state-owned by individuals or entities that are coercive based on the law with no direct compensation and are used for the needs of the state for the greatest prosperity of the people, according to the Taxation Law

(Law No. 36 of 2008). Based on the hypothesis testing in Table 4.13, the results show a significance value of 0.923, which is greater than the level of significance value of 0.05, which means that this result proves that taxes do not affect transfer pricing, so the hypothesis H1 which states that taxes affect transfer pricing is rejected. The results of this study are consistently based on research conducted by Zerni Melmusi (2016), which states that taxes do not affect transfer pricing. Still, this research is different from research conducted by Ratna Dewi K, Sri Fadilah, Edi Sukarmanto (2018), which states that taxes affect transfer pricing.

Suppose you look at the tax calculation results in table 4.2. In that case, it shows that the tax variable does not affect Transfer Pricing transactions of the 15 various industrial sector companies in this study where transfer pricing transactions can be carried out with affiliated companies located abroad to reduce the amount of tax that a company must pay by shifting the profits of companies located in countries with high tax rates to countries with lower tax rates—or shifting the costs of companies located in countries with high tax rates to countries with lower tax rates, so that the tax revenue received is smaller than the tax revenue that that country should receive. This means that the results in this study identified that the smaller or lower the tax burden that the company wants to pay, the greater the company's decision to carry out transfer pricing practices with parties who have unique relationships abroad.

Foreign ownership is the number of shares owned by foreign parties. The lower the level of share ownership by foreign parties. Therefore, foreign parties cannot become the controlling shareholder in the company. When the level of share ownership by foreign parties is high, the foreign party can become the controlling shareholder in the company. Based on the hypothesis testing in Table 4.13, the results show a significance value of 0.382, which is greater than the level of significance value of 0.05, which means that this result proves that foreign ownership does not affect transfer pricing, so hypothesis H2 which states that foreign ownership affects transfer pricing is rejected. . The results of this study are consistently based on research conducted by Dicky Suprianto, Raisa Pratiwi (2016) which states that foreign ownership does not affect transfer pricing. Still, this research is different from research conducted by Refgia (2017), which states that foreign ownership affects transfer pricing.

Table 1 shows that of the 15 various industrial sector companies in this study, the majority have foreign ownership, which is relatively low. With a relatively low number of foreign ownership, the majority share and controlling share of the company are the majority shareholder. The reasons related to foreign ownership do not affect transfer pricing because of the low number of shares owned by foreign parties. As the controlling shareholder, the majority shareholder will be more flexible in determining decisions regarding the company's future direction.

### 4.3 Testing the Effect of Firm Size on Transfer Pricing

Company size is a value that shows the size of a company. The size of a company can be known through the company's total assets; the greater the number of assets owned by the company, the greater the company's size, the greater the size of the company, the higher the transfer pricing activities carried out by the company. Based on the hypothesis testing in Table 4.13, the results show a significance value of 0.039, which is smaller than the level of significance value of 0.05, which means that this result proves that firm size affects transfer pricing, so hypothesis H3 which states that firm size affects transfer pricing is accepted. The results of this study are consistently based on research conducted by Machfirah Aprilia R, Fachrizal (2018), which states that company size affects transfer

pricing. Still, this research is different from research conducted by Refgia (2017), which states that company size does not affect transfer pricing.

If you look at the data from the calculation of company size in table 4.4, it shows that of the 15 companies in the various industrial sectors in this study, they have large company sizes. Relatively large companies will be seen by the public for their performance so that the directors or managers of the company will be more careful and transparent in reporting their financial condition. Meanwhile, smaller companies are considered more inclined to transfer pricing to show satisfactory performance. So that managers who lead large companies lack the incentive to manage earnings, one of which is transfer pricing. This means that when the company's size is small and has small total assets, the manager who leads the company will have the urge to take transfer pricing actions in his company.

## V. Conclusion

This study aims to see the effect of taxes, foreign ownership, and company size on transfer pricing in various industrial sector companies listed on the Indonesia Stock Exchange in 2016-2018. Based on the results obtained from processing, testing data analysis, and discussions that have been carried out, in this study, the following conclusions were obtained:

1. Taxes do not affect transfer pricing
2. Foreign Ownership does not affect transfer pricing
3. Company size affects transfer pricing

This study illustrates that the picture that Taxes do not affect transfer pricing, Foreign Ownership does not affect transfer pricing; the results of this study can add to the knowledge and provide a broader view in understanding Management Accounting courses, especially regarding Transfer Pricing in companies

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