www.bircu-journal.com/index.php/birci
Budapest International Research and Critics Institute-Journal (BIRCI-Journal)
Humanities and Social Sciences
ISSN 2615-3076 Online)
ISSN 2615-1715 (Print)

The Effect of Tax and Leverage on Transfer Pricing Decisions with Institutional Ownership as Moderating

Zahrotun Nisa[1], Wahidahwati[2], Suwardi Bambang[3]
[1,2,3]*Sekolah Tinggi Ilmu Ekonomi Indonesia*
zahrotunnisa161119@gmail.com,wahidahwati@stiesia.ac.id, sbhermanto@stiesia.ac.id

Abstract

This study aims to determine the effect of tax and leverage on transfer pricing decisions with institutional ownership as moderating. The population in this study are manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019. The sampling technique used is purposive sampling. The number of samples in this study amounted to 110 observations. This research is classified as quantitative research which is tested using the Moderating Regression Analysis (MRA) analysis technique. The results of this study indicate that taxes have a significant effect on transfer pricing decisions. Leverage has no significant effect on transfer pricing decisions. While the variable of institutional ownership as a moderating factor is not able to moderate the relationship of tax effect on transfer pricing decisions, but institutional ownership is able to moderate the relationship of leverage to transfer pricing decisions. The coefficient of determination is 0.138, which means that 13.8% of the indications that the company is doing transfer pricing is influenced by this variable, while the rest is explained by other variables. This shows that there are still many variables outside the study that can explain transfer pricing.

Keywords
Tax; leverage; institutional ownership; transfer pricing

I. Introduction

Many national companies have now shifted into multinational companies whose business activities are not only centered in one country, but in several countries (Hartati et al, 2014). Multinational companies are companies that have a parent entity or branch in more than one country. Furthermore, as a profit-oriented company, of course the company will try to get maximum profit through various ways, including through cost efficiency. This condition has a tendency to occur in manufacturing companies whose production processes are carried out in production departments. The development of the company's strategy leads to one main goal, namely to maximize profits and minimize costs and expenses (Hasna and Mulyani, 2020). This may not be a problem if it only occurs in a company in one country because the expenses and costs incurred will be more easily measured. However, this is different for multinational companies because it will be difficult to determine the selling price and costs incurred in the context of monitoring and measuring company performance (Refgia, 2017). In addition, the existence of transactions of goods and services that occur in multinational companies that have a special relationship is the main reason why an activity called transfer pricing is carried out in order to determine the price.

The economic condition of the population is a condition that describes human life that has economic score (Shah et al, 2020). Economic growth is still an important goal in a country's economy, especially for developing countries like Indonesia (Magdalena and Suhatman, 2020).

DOI: https://doi.org/10.33258/birci.v5i2.4767

Transfer pricing is a technique for optimal allocation of costs and revenues among divisions, subsidiaries and joint ventures within a group of related entities. Transfer pricing practices are simultaneously involved in wealth retention processes that enable firms to avoid taxes and facilitate capital flight (Kaur, 2013). The transfer pricing policy raises several problems regarding customs, taxes, anti-dumping provisions, unfair business competition, and also includes internal company management problems (Klassen et al., 2013). The use of transfer pricing policies is currently being transformed as an international tax issue where transfer pricing policies are used as a tool to reduce the overall tax burden for multinational companies or companies on a global scale. Experts also argue that transfer pricing is not only a problem for companies, but it can also be an opportunity for companies to abuse taxes to pursue high profits. For multinational companies that have subsidiaries in countries with high tax rates, this will be a problem because they will pay more taxes, so the net profit will be less (Sarifah et al, 2019). According to Mispiyanti (2015), the increasing tax burden has triggered companies to make transfer pricing decisions in the hope of reducing the tax burden. Transfer pricing in the sale of goods or services is carried out by reducing the selling price between companies that have a special relationship and transferring the profits earned to companies domiciled in countries that apply low tax rates (Putri and Mulyani, 2020). However, the transaction has problems because of the unavailability of tools, experts, and standard or fixed regulations, so the transfer pricing examination is often won by the taxpayer in the tax court so that multinational companies are increasingly motivated to carry out transfer pricing (Julaikah and Nurul, 2014).

Based on the above review, this research is important to do because of the novelty in this study, namely using institutional ownership as a variable that moderates tax planning and leverage on transfer pricing decisions, the thing that motivates the author to choose this title is because of the research gap from one study to another. so it has not shown consistent results. This research was conducted to examine the "Effect of Taxes and Leverage on Transfer Pricing Decisions with Institutional Ownership as Moderating".

This study uses a sample of manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019. This is because transfer pricing practices occur in multinational manufacturing companies that have overseas subsidiaries. Manufacturing companies have a high probability of conducting transactions between parties that have a special relationship, such as the sale of goods or services between the parent company and subsidiary companies, so in these transactions there is a possibility for transfer pricing practices to occur.

II. Research Method

This research includes quantitative research. Quantitative research is research that analyzes numerical data that is processed by statistical methods whose results will be interpreted to obtain a conclusion. Based on the method, this research is included in historical research, namely research related to past events in the form of a systematic and objective company's past financial statements. Based on the data source, this research is research that uses secondary data sources, namely data obtained from various existing sources such as financial reports, journals, books, and others. Meanwhile, according to the research objective, this research is a descriptive study because it describes how taxes and leverage influence transfer pricing decisions with institutional ownership as a moderating variable.

The purpose of this research is to limit the scope of the research so that the discussion of this research is clear, does not expand and leads to the problems being studied. Limitations in this study are manufacturing companies listed on the Indonesia Stock Exchange in the 2015-2019 period.

The variables used in the research to be conducted are as follows:

1. The dependent variable (TP) is the transfer pricing decision
2. Independent variables, namely:
   a. Tax (PJK)
   b. Leverage (LEV)
   c. Institutional ownership (KI)
3. Moderating Variable, namely Institutional Ownership (KI)

III. Result and Discussion

3.1 The Effect of Taxes on Transfer Pricing Decisions

The results of the study indicate that taxes have a negative effect on transfer pricing. This means that as the tax-imposed increases, the company's transfer pricing with related parties will decrease or vice versa. The results of this study are consistent with research conducted by Marfuah and Azizah (2014) which shows that taxes have a significant negative effect on transfer pricing. These results are also in line with research conducted by (Hartati, Desmiyawati, & Azlina, 2014) which states that taxes have a significant influence on the company's decision to transfer pricing where the size of the company's decision to transfer pricing will make tax payments lower globally. . Furthermore, it is supported by research (Refgia, 2017) which states that the lower the value of the company's effective tax rate, the better the value of the company's effective tax rate is. A good score here indicates that the company has successfully carried out tax planning. One way to do the tax planning is by transfer pricing.

Agency theory explains that the information gap between shareholders and management is the beginning of the emergence of agency conflicts. The management tries to hide any information that can harm the interests of shareholders. This condition has the effect of reducing the expectations of shareholders to benefit from the company's operations due to this opportunistic behavior. Therefore, to provide welfare to shareholders, managers will carry out a plan to provide prosperity. In this case, management takes advantage of gaps in tax regulations between different countries to carry out transfer pricing. Multinational companies as a form of company with a large foreign ownership structure attempt to conduct transactions with the parent or branch that is still in the same group of companies by practicing transfer pricing. This is based on the fact that tax is a burden that does not provide direct benefits to the company.

3.2 Effect of Leverage on Transfer Pricing Decisions

Based on the results of testing the second hypothesis, it can be seen that the leverage variable proxied by the Debt-to-Equity Ratio (DER) has no significant effect on transfer pricing decisions in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019. The hypothesis indicates that the test results are not in accordance with the hypothesis or the hypothesis is rejected. This means that leverage has no effect on indications for transfer pricing.

Debt Convenat Hypothesis, in this case managers of companies that have a large leverage ratio (debt/equity) will prefer to choose accounting procedures that can replace earnings reports for the future period to the current period. By choosing an accounting method that can transfer profit recognition for the future period to the current period, the company will have a small leverage ratio, thereby reducing the possibility of technical default. Although the amount of profit can reduce the penalty for debt agreements, it does not mean that the directors will justify any means by committing fraud such as manipulating financial statements by utilizing transfer pricing transactions between related parties to increase sales where the sale can indirectly increase the company's profit in the specified year. The company allows using the debt obtained for investment purposes, so as to generate income outside the company's business and can increase company profits.

The results of this study are not in line with research conducted by (Richardson, Taylor, & Lanis, 2013) which states that the leverage variable has a significant effect on transfer pricing decisions. However, it is supported by research from (Swingly & Sukartha, 2015) which states that the leverage variable has no significant effect on transfer pricing decisions where the higher the leverage ratio value, the higher the third party debt funding used by the company, this causes higher interest costs. . High interest costs affect the value of the company's debt so that transfer pricing will be more difficult to do. The greater the leverage value means the greater the costs borne by the company in fulfilling its obligations, this can result in the company's profit decreasing. The decline in the company's profit was due to the large interest costs incurred on loans. High interest costs affect the value of the company's debt and can indirectly minimize the tax burden so that transfer pricing is less likely, therefore in order to gain the trust of creditors, the company is more focused on maximizing its performance by being more careful and transparent in reporting any financial conditions that arise owned by the company.

IV. Conclusion

This study aims to determine the effect of tax and leverage on transfer pricing as well as the ability of institutional ownership to weaken or strengthen the effect of taxes, and leverage on transfer pricing. This research is quantitative and the data used in this study are sourced from IDX (Indonesia Stock Exchange) and the company's official website. This study uses a population of companies listed on the IDX with a five-year observation period, namely 2015-2019. The sample of this research is a manufacturing company. The total sample is 110 samples.

Testing the hypothesis in this study using multiple linear regression analysis test. Based on the test results, the conclusions that can be obtained are as follows:

Taxes have a significant negative effect on the company's transfer pricing decisions. These results indicate that the higher the tax rate imposed, the lower the company's transfer pricing decision or vice versa. In this study, the possibility of companies reducing the high corporate tax burden by implementing tax management, not through transfer pricing. Leverage does not significantly affect the company's decision to practice transfer pricing. The greater the leverage value means the greater the costs borne by the company in fulfilling its obligations, this can result in the company's profit decreasing. The decline in the company's profit was due to the large interest costs incurred on loans. High interest costs affect the value of the company's debt and can indirectly minimize the tax burden so that transfer pricing is less likely, therefore in order to gain the trust of creditors the company is more focused on maximizing its performance by being more careful and transparent in reporting its financial condition. Institutional ownership has a significant positive effect on the company's transfer pricing decisions. The existence of institutional investors is considered capable of being a monitoring and disciplining mechanism as well as influencing every decision taken by managers effectively. This is because institutional investors are involved in strategic decisions so they do not easily believe in earnings manipulation. Institutional ownership is not able to moderate the relationship between taxes and transfer pricing. It can happen that the high or low institutional shares invested in a company are not able to moderate the relationship between taxes and transfer pricing. Institutional ownership is known to be able to monitor company management. In this study, the role of institutional ownership is known to be able to be monitoring management or a form of control over the management Institutional ownership is able to moderate the relationship between debt covenants and transfer pricing. This means that the size of the shares invested by institutional parties can affect the relationship between debt covenants and transfer pricing.

References

Akmaludin, R. N. A. (2017). Pengaruh Pajak, Debt Convenent dan Komite Audit terhadap Keputusan Perusahaan Melakukan Transfer Pricing Perusahaan Manufaktur yang Terdaftar Di Bursa Efek Indonesia (BEI) Periode (2014-2015). Skripsi.Universitas Islam Negeri Maulana Malik Malang. Malang.

Ani’im Fattach, E. F. W., Syairozi, M. I., & Ardella, T. O. (2021). REKONSTRUKSI SOSIAL EKONOMI PENGENTASAN KEMISKINAN MELALUI KELOMPOK USABA BERSAMA (KUBE) PENJUAL NASI BORANAN DI DESA SUMBEREJO KABUPATEN LAMONGAN. Jurnal Pengabdian Pada Masyarakat MEMBANGUN NEGERI, 5(2), 447-455.

Atika, Darmanto, dan Handayani, S. R. (2013). Pengaruh Beberapa Rasio Keuangan terhadap Prediksi Kondisi Financial Distress. Jurnal Administrasi dan Bisnis(2): 3-12.

Aziz, A. M., Yuli C., dan Endang M. (2019). Pengaruh Kepemilikan Institusional, Profitabilitas dan Ukuran Perusahaan Terhadap Kebijakan Hutang. Edunomika (03) : 389

Damayanti, F. (2015). Pengaruh Komite Audit, Kualitas Audit, Kepemilikan Institusional, Risiko Perusahaan, dan Return On Assets Terhadap Tax Avoidance. Jurnal Bisnis dan Manajemen (5): 189-199.

Darma, S. S. (2020). Pengaruh Pajak, Exchange Rate, Tunneling Incentive, dan Bonus Plan Terhadap Transaksi Transfer pricing Pada Perusahaan Multinasional Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar di BEI Tahun 2014-2017. Jurnal Ekonomi Efektif. (2) : 3.

Fitriani, D. N., Syahril D., dan Suyanto. (2021). Pengaruh Transfer Pricing, Kepemilikan Asing, Kepemilikan Institusional Terhadap Agresivitas Pajak Dengan Corporate Social Responsibility Sebagai Variabel Moderasi. KINERJA Jurnal Ekonomi dan Bisnis. (3) : 2.

Gupta, P. (2014). Transfer Pricing: Impact of Taxes and Tariffs in India. Journal Vikalpa (37): 30-36.

Hartati, W., Desmiyawati, dan Azlina, N. (2014). Analisis Pengaruh Pajak dan Mekanisme Bonus Terhadap Keputusan Transfer Pricing. Jurnal Simposium Nasional Akuntansi XVII Lombok : 2-9

Hartina, A. (2018). Komite Audit Sebagai Pemoderasi Pengaruh Tax Minimization Terhadap Transfer Pricing. Jurnal Ekobis Dewantara (1): 170-171.

Hasna, R, dan Mulyani. (2020). Pengaruh Perencanaan Pajak dan Tunneling Incentive Terhadap Tindakan Transfer Pricing Dengan Komite Audit Sebagai Moderating. Prosiding Seminar Nasional Pakar ke 3. Universitas Trisakti: 2-4.

Husnan, S.(2012). Dasar-Dasar Manajemen Keuangan. UPP STIM. Yogyakarta.
Imam, G dan Ratmono, D. (2013). Analisis Multivariat dan Ekonometrika. Universitas Diponegoro. Semarang.
Izadinia, N., dan Foroghi, D. (2013). The Effect of Size, Return on Sales, Leverage, Fixed Assets, Industry And Ownership on Effective Tax Rate in the Listed Companies of Tehran Stock Exchange. Interdisciplinary Journal of Contemporary Resarch in Bussiness .(5): 523-524.
Jafri,H. E., dan Elia, M. (2018). Pengaruh Perencaan Pajak, Tunneling Incentive dan Aset Tidak Berwujud Terhadap Perilaku Transfer pricing pada Perusahaan Manufaktur yang Memiliki Hubungan Istimewa yang Terdaftar di Bursa Efek Indonesia Periode 2014-2016. Berkala Akuntansi dan Keuangan Indonesi. (3): 2.
Jansen, M. C., dan Meckling, W. H. (1976). Theory of the Firm: Magerial Behavior, Agency Cost and Ownership Structure. Journal of Financial Economics. (3): 305-360.
Jogiyanto, M. C. (2013). Teori portofolio dan analisis investasi. BPFE. Yogyakarta.
Julaikah, dan Nurul. (2014). Hampir Semua Perusahaan Asing Akali Bayar Pajak. Merdeka .(http://m.merdeka.com, diakses 16 November 2017).
Kaur, M. (2013). Transfer Pricing Policies And Procedures And Its Impact On Performance Evaluation. National Monthly Refereed Journal Of Research In Commerce & Management. (2): 30-33.
Klassen, K., Lisowsky, P., dan Mescall, D. (2013). Transfer Pricing Strategies, Practices, and Tax Minimization. Journal of Tax Excecutive Institute (TEI). (1): 2-15.
Lingga, I. S. (2012). Aspek Perpajakan Dalam Transfer Pricing dan Problematika Praktik Penghindaran Pajak (Tax Avoidance). Jurnal Zenit. (1): 210-221.
Lubis, A. W., Bukit, R., dan Sari, T. A. (2013). Pengaruh Pengeluaran Modal, Penelitian dan Pengembangan, Transaksi Pihak Hubungan Istimewa, dan Profitabilitas terhadap Nilai Perusahaan. Jurnal Telaah & Riset Akuntansi .(2).
Magdalena, S., Suhatman, R. (2020). The Effect of Government Expenditures, Domestic Invesment, Foreign Invesment to the Economic Growth of Primary Sector in Central Kalimantan. Budapest International Research and Critics Institute-Journal (BIRCI-Journal). Volume 3, No 3, Page: 1692-1703.
Marfuah, dan Azizah, A. P. (2014). Pengaruh Pajak, Tunneling Incentive, dan Exchange Rate pada Keputusan Perusahaan Melakukan Transfer Pricing. JAAI. (18).
Muhtarom, A., Syairozi, I., & Wardani, N. D. (2022). ANALISIS PERSEPSI HARGA, KUALITAS PELAYANAN, CUSTOMER RELATIONSHIP MARKETING, DAN KEPERCAYAAN TERHADAP PENINGKATAN PENJUALAN DIMEDIASI LOYALITAS PELANGGAN PADA UMKM AYAM POTONG ONLINE ELMONSU. Jesya (Jurnal Ekonomi dan Ekonomi Syariah), 5(1), 743-755.
Muhtarom, A., Syairozi, M. I., & Yonita, H. L. (2022). Analisis Persepsi Harga, Lokasi, Fasilitas, dan Kualitas Pelayanan terhadap Loyalitas Pelanggan Dimediasi Keputusan Pembelian (Studi Kasus pada Umkm Skck (Stasiun Kuliner Canditunggal Kalitengah) Metode Structural Equation Modelling (SEM)-Partial Least. EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi dan Bisnis, 10(S1), 391-402
Nurhayati, I. D. (2013). Evaluasi Perlakuan Perpajakan terhadap Transaksi Transfer Pricing Pada Perusahaan Multinasional di Indonesia. Jurnal Manajemen dan Akuntansi. (2): 32.
Praditasari, N. K. A., &Setiawan, P. E. (2017). Pengaruh Good Corporate Governance, Ukuran Perusahaan, Leverage Dan Profitabilitas Pada Tax Avoidance. E-Jurnal Akuntansi Universitas Udayana, 19, 1229–1258

Putri, A. A., & Lawita, N. F. (2019). Pengaruh Kepemilikan Institusional Dan Kepemilikan Manajerial Terhadap Penghindaran Pajak. Jurnal Akuntansi Dan Ekonomika. (9): 1.

Putri, N., dan Mulyani, D.S. (2020). Pengaruh Transfer Pricing dan Kepemilikan Asing Terhadap Praktik Penghindaran Pajak (Tax Avoidance) Dengan Pengungkapan Corporate Social Responsibility (CSR) Sebagai Variabel Moderasi. Prosiding Seminar Nasional Pakar ke 3. Universitas Trisakti: 1-2.

Refgia, T. (2017). Pengaruh Pajak, Mekanisme Bonus, Ukuran Perusahaan, Kepemilikan Asing, dan Tunneling Incentive terhadap Transfer Pricing. JOM Fekon. (4): 543-549.

Richardson, G., Taylor, G., dan Lanis, R. (2013). Determinants of Transfer Pricing Aggressiveness: Empirical Evidence from Australian Firms. Journal of Contemporary Accounting & Economics. (1): 136-150.

Saraswati, G. A., dan Sujana, I. K. (2017). Pengaruh Pajak, Mekanisme Bonus dan Tunneling Incentive pada Indikasi Melakukan Transfer Pricing. E-Jurnal Akuntansi Universitas Udayana. (2): 1000-1014.

Sarifah, D.A., Diyah, P., dan Astrid, M. (2019). Dampak Effective Tax Rate (ETR), Tunneling Incentive (TNC), Indeks Trend Laba (ITRNDLB), dan Exchange Rate Pada Keputusan Transfer Pricing Perusahaan Manufaktur Yang Listing Di Bursa Efek Indonesia (BEI). Jurnal Ilmiah Akuntansi dan Humanika. (9): 215-216

Setiawan, H. (2017). Transfer pricing dan Resikonya terhadap Penerimaan Negara. (http:/www.kemenkeu.go.id, diakses 10 Oktober 2017)

Shah, M. M., et al. (2020). The Development Impact of PT. Medco E & P Malaka on Economic Aspects in East Aceh Regency. Budapest International Research and Critics Institute-Journal (BIRCI-Journal). Volume 3, No 1, Page: 276-286

Siti Resmi. (2014). Perpajakan Teori dan Kasus. Salemba Empat. Jakarta.

Standar Akuntansi Keuangan (PSAK) No. 15 Tahun 2017 Investasi pada Entitas Asosiasi dan Ventura Bersama. Dewan Standar Akuntansi Keuangan-Ikatan Akuntan Indonesia. Jakarta.

Standar Akuntansi Keuangan (PSAK) No. 7 Tahun 2017 Pengungkapan Pihak-Pihak Berelasi. Dewan Standar Akuntansi Keuangan-Ikatan Akuntan Indonesia. Jakarta.

Suandy, E. (2011). Perencanaan Pajak. Salemba Empat. Jakarta.

Sulistyawati, I. A., Aprih, S., dan Liana, R. (2020). Determinant Detection Of Tansfer Pricing Decisions. Jurnal Accountability. (1): 16-27.

Sumarsan, T. (2013). Tax Review dan Strategi Perencanaan Pajak. Indeks. Jakarta.

Swingly, C., dan Sukartha, I. (2015). Pengaruh Karakter Komite Audit, Ukuran Perusahaan, Leverage dan Sales Growth pada Tax Avoidance. E-Jurnal Akuntansi .

Syairozi, M. I. (2017). Aplikasi Akad Musyarakah pada Pembiayaan Unit Usaha Syariah PT Bank Rakyat Indonesia (PERSERO), Tbk. PROCEEDINft, 111.

Syairozi, M. I. (2017).ANALISIS PAJAK DAN VARIABEL MAKROEKONOMI TERHADAP PENERIMAAN PAJAK PERNGHASILAN. In Seminar Nasional Sistem Informasi (SENASIF) (Vol. 1, No. 1, pp. 338-350).

Tjandrakirana, R., dan Ermadiani. (2020). Tax, Debt Covenant, and Exchange Rate (Analisis Atas Fenomena Transfer Pricing). Jurnal Akuntansi dan Bisnis. (5): 28-30.

Undang-Undang KUP No. 28 Tahun 2007

Undang-Undang Nomor 36 Tahun 2008 tentang Pajak Penghasilan

Wafiroh, N. L., dan Hapsari, N. N. (2015). Pajak, Tunnelling Incentive, dan Mekanisme Bonus pada Keputusan Transfer Pricing. El-Muhasabah. (2): 157-164.

Watts, R. L., dan Zimmerman, J. L. (1990). Positive Accounting Theory: A Ten Year Perspective. The Accounting Review. (65): 131-156.

Xioling, C. (2015). Determinants and Consequences of Transfer Pricing Autonomy: An Empirical Investigation. Journal of Mnaagement Accounting Research. (27): 95-120.
Yuniasih, N. W., Rasmini, N. K., dan Wirakusuma, M. G. (2012). Pengaruh Pajak dan Tunneling Incentive pada Keputusan Transfer Pricing pada Perusahaan Manufaktur yang Listing di Bursa Efek Indonesia. Simposium Nasional Akuntansi XV.